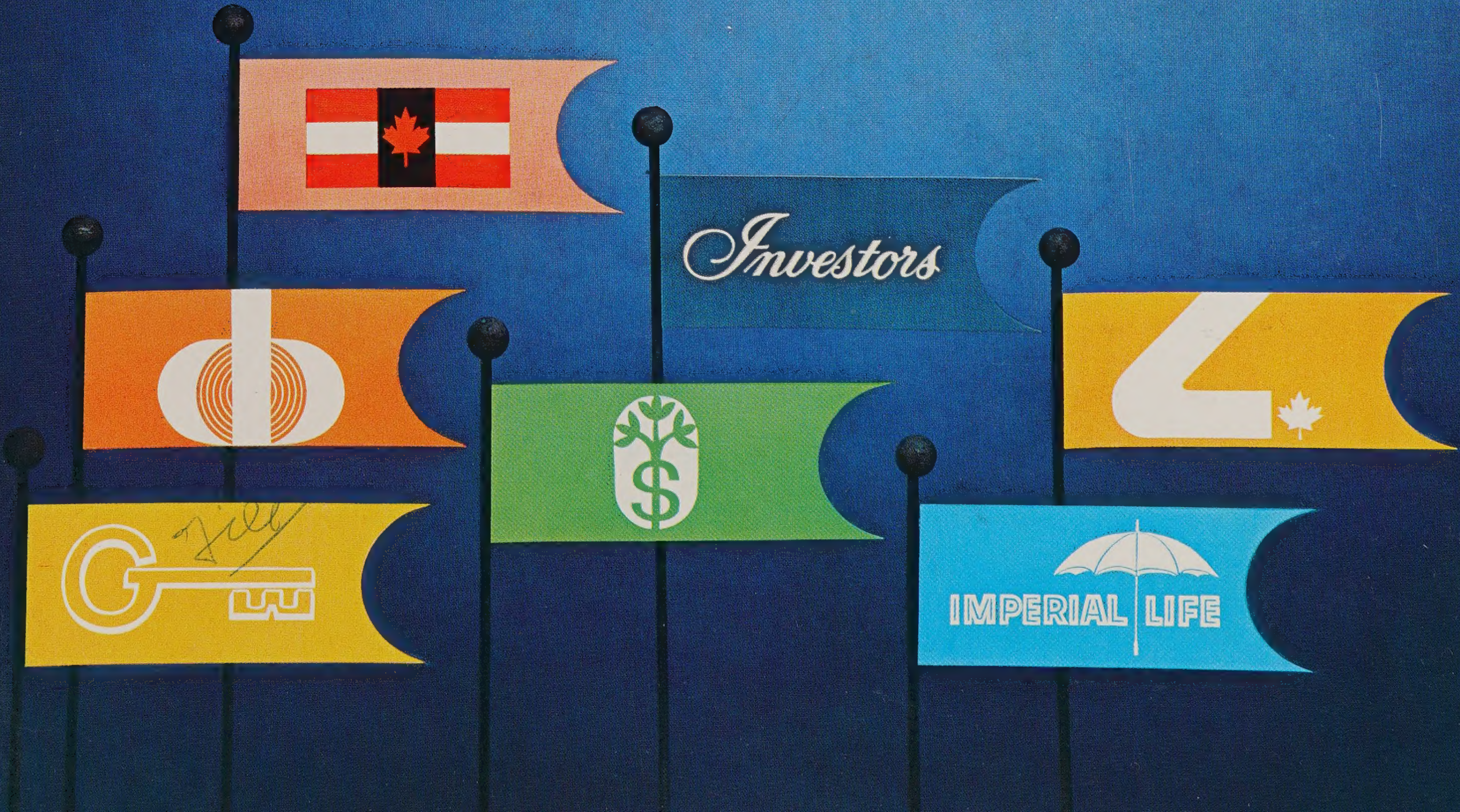
Power Corporation of Canada, Limited/Annual Report 1973



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PAUL DESMARAIS
Chairman and Chief Executive Officer
PETER D. CURRY
President and Chief Operating Officer

Your Directors are pleased to submit the Company's 49th Annual Report together with the consolidated financial statements for the year ended December 31, 1973.

The consolidated earnings for the year ended December 31, 1973 amounted to $30,959,000 compared with $18,562,000 (restated) for the prior year, in each case before dividends on non-participating preferred shares. After payment of these dividends, this is equal to $2.29 per common and participating preferred share compared with $1.29 in 1972. The fully diluted earnings per share, after allowing for the conversion of the 5% convertible preferred shares, are $1.85 compared with $1.09 in 1972. Dividends of 30 cents per participating preferred share and 22½ cents per common share were paid during the year. The dividend on the common shares for the fourth quarter of 1973 was increased from 5 cents to 7½ cents, being an indicated rate of 30 cents per annum.

The consolidated financial statements include the accounts of Power Corporation and its wholly-owned subsidiaries together with Power's share of the earnings of its other subsidiary companies, and of the earnings of Consolidated-Bathurst Limited and Gesca Ltée. The accounts for the year 1972 have been restated to include the Company's share of the earnings of Consolidated-Bathurst Limited and a restatement of the earnings of The Imperial Life Assurance Company of Canada.

The overall operating results for the year were satisfactory. Major contributing factors to the increase in earnings were the substantially improved results of The Investors Group and Consolidated-Bathurst Limited as well as a more encouraging performance by the shipbuilding division of Canada Steamship Lines, Limited. The other subsidiary companies and Gesca Ltée all showed satisfactory earnings despite increased operating costs.

This Annual Report includes condensed versions of the Report of the Directors to Shareholders of each of our subsidiary and affiliated companies, together with condensed income statements and balance sheets for the last three years.

In November 1973 Mr. Peter D. Curry, a Director, was appointed President and Chief Operating Officer of the Company, replacing Mr. Louis R. Desmarais, who became Chairman and Chief Executive Officer of Canada Steamship Lines, Limited, our principal wholly-owned subsidiary company. Mr. Paul E. Martin, previously our Vice President, Planning and Development, was appointed President and Chief Operating Officer of Canada Steamship Lines, Limited. In addition, Mr. Daniel Johnson was appointed Secretary of the Company, replacing Mr. W. G. E. Lannaman, who has assumed new functions with Montreal Trust Company.

During the course of the year Mr. John W. McGiffin, The Honourable Jean-Luc Pepin and Mr. Pierre Genest, Q.C., were added to our Board, while we accepted with sincere regret the resignation of Mr. John M. Seabrook.

The Directors wish to express their appreciation of the services rendered by the Officers and Staff during the year.

On behalf of the Board

Peter D. Curry
President and Chief Operating Officer

Paul Desmarais
Chairman and Chief Executive Officer

Montreal, Quebec, March 18, 1974.

Corporate Objective

Our corporate objective is to provide a fair return to our shareholders and to the outside shareholders of our subsidiary and affiliated companies and, in furtherance of this objective, to develop in each corporation management with the skill and expertise capable of creating strong Canadian enterprises within the free enterprise system.

Major Corporate Developments in 1973

Our interest in Dominion Glass Company Limited was sold to Consolidated-Bathurst Limited for $21.7 million, of which $17.7 million was paid in cash and the balance will be payable on or before June 30, 1977 contingent upon the attainment by Dominion Glass Company Limited of specified levels of earnings in the years preceding the year in which the balance becomes payable. If the specified levels of earnings are not attained, the amount payable will be reduced in accordance with the terms of the formula provided in the agreement of sale.

Our interest in Campeau Corporation Limited was completely liquidated as a result of the sale of the convertible promissory note of that company for approximately $12 million.

Our interest in the capital of The Investors Group was increased and the Company now owns 56.5% of the common shares, 6.8% of the common Class A shares, and 3.7% of the 5% convertible preferred shares. The ownership of the foregoing common and common class A shares entitles the Company to 34.4% of the equity. This does not include the 13.1% and 9.5% of the common shares held by The Imperial Life Assurance Company of Canada and The Great-West Life Assurance Company respectively.

Our holding of preferred shares of Consolidated-Bathurst Limited was sold and the proceeds together with additional funds were used to acquire common shares of that company.

Gesca Ltée acquired 100% of Les Journaux Trans-Canada Ltée, which company concurrently sold its interest in the weekly newspapers and a newspaper printing plant in Granby, Quebec. Further, Gesca Ltée acquired 100% ownership of Montréal-Matin Inc. which publishes a morning newspaper in metropolitan Montreal.

Financial Highlights

For the year ended December 31	1973	1972 *restated*	1971
Gross Revenue from operations	$242,767,000	*$170,002,000*	*$143,181,000*
Consolidated Earnings	$ 30,959,000	*$ 18,562,000*	*$ 9,839,000*
Dividends on non-participating preferred shares	$ 3,781,000	*$ 3,827,000*	*$ 3,828,000*
Consolidated Net Earnings available for 6% participating preferred and common shares	$ 27,178,000	*$ 14,735,000*	*$ 6,011,000*
Provision for depreciation	$ 11,893,000	*$ 12,442,000*	*$ 11,695,000*
Cash Flow from operations	$ 27,218,000	*$ 19,159,000*	*$ 21,691,000*
Earnings per 6% participating preferred and common share —			
Primary	$ 2.29	*$ 1.29*	*$ 0.53*
Diluted	$ 1.85	*$ 1.09*	*N/A*

As at December 31			
Working Capital	$ 43,627,000	*$ 16,617,000*	*$ 7,028,000*
Investments	$255,684,000	*$247,716,000*	*$271,574,000*
Fixed Assets — Net	$114,303,000	*$125,036,000*	*$112,685,000*
Long-Term Debt	$ 65,799,000	*$ 73,557,000*	*$ 83,666,000*

Consolidated Balance Sheet

As at December 31

Assets	1973	1972 *restated*
CURRENT ASSETS		
Cash	$ 3,195,000	*$ 5,177,000*
Short-term notes and Government of Canada bonds—at cost, which approximates market value	43,695,000	*20,799,000*
Short-term notes—unconsolidated subsidiaries	16,350,000	*3,988,000*
Accounts receivable	20,731,000	*18,783,000*
Income taxes recoverable		*1,845,000*
Inventories of stores and supplies at the lower of cost or replacement cost and shipyard work in progress at cost less $1,675,000 (1972—$5,671,000) allowance for loss on uncompleted contract	37,345,000	*72,698,000*
Prepaid expenses	936,000	*751,000*
	122,252,000	*124,041,000*
Deduct: progress payments and billings on uncompleted shipyard work	34,448,000	*73,086,000*
Total current assets	87,804,000	*50,955,000*
INVESTMENTS		
Unconsolidated subsidiary companies (*notes 1 and 2*)	105,706,000	*114,231,000*
Quoted securities (*notes 1 and 3*)	104,586,000	*96,127,000*
Unquoted securities (*note 4*)	43,036,000	*36,747,000*
Advances to trustees of share purchase plans	2,356,000	*611,000*
	255,684,000	*247,716,000*
FIXED ASSETS—AT COST (*note 5*)	244,551,000	*261,544,000*
Less: accumulated depreciation	130,248,000	*136,508,000*
	114,303,000	*125,036,000*
	$457,791,000	*$423,707,000*

On behalf of the Board

PAUL DESMARAIS   PETER D. CURRY

Liabilities

	1973	1972 *restated*
CURRENT LIABILITIES		
Bank loan — Secured	$	*$ 2,000,000*
Accounts payable and accrued charges	25,734,000	*21,944,000*
Billings on shipyard contracts not yet in progress	7,949,000	
Income taxes payable	2,760,000	*1,355,000*
Current portion of long-term debt	7,734,000	*9,039,000*
Total current liabilities	44,177,000	*34,338,000*
LONG-TERM DEBT (*note 6*)	65,799,000	*73,557,000*
DEFERRED INCOME TAXES	36,679,000	*34,677,000*
PROVISIONS		
Insurance losses, repairs and claims	1,906,000	*1,711,000*
Deferred compensation	1,239,000	*835,000*
Deferred income (*note 7*)	2,866,000	
	6,011,000	*2,546,000*
PREFERRED SHARES OF CONSOLIDATED SUBSIDIARIES	8,756,000	*8,870,000*
SHAREHOLDERS' EQUITY		
Capital stock—preferred (*note 8*)	83,779,000	*83,919,000*
Capital stock—common (*note 8*)	58,337,000	*56,393,000*
Retained earnings	154,253,000	*129,407,000*
Total shareholders' equity	296,369,000	*269,719,000*
	$457,791,000	*$423,707,000*

Statement of Consolidated Earnings

For the Year ended December 31

		1973		1972 *restated*
Gross revenue from operations (*note 5*)		$242,767,000		$170,002,000
Earnings from operations		$ 32,001,000		$ 24,833,000
Share of earnings of unconsolidated subsidiaries and affiliated companies		18,017,000		10,531,000
Income from investments		3,920,000		3,545,000
		53,938,000		38,909,000
Interest on long-term debt	$ 6,290,000		$ 6,862,000	
Provision for depreciation	11,893,000	18,183,000	12,442,000	19,304,000
		35,755,000		19,605,000
Provision for income taxes		4,352,000		589,000
		31,403,000		19,016,000
Preferred dividends of consolidated subsidiaries		444,000		454,000
Consolidated earnings		30,959,000		18,562,000
Non-participating preferred dividends (*note 8*)		3,781,000		3,827,000
Consolidated net earnings available for 6% participating preferred and common shareholders		$ 27,178,000		$ 14,735,000
Earnings per 6% participating preferred and common share				
Primary		$ 2.29		$ 1.29
Diluted		$ 1.85		$ 1.09

Statement of Consolidated Retained Earnings

For the Year ended December 31

	1973	1972 *restated*
Retained earnings beginning of year		
As previously reported	$128,390,000	$121,157,000
Share of earnings not included in prior year (*notes 2 and 3*)	1,017,000	
As restated	129,407,000	121,157,000
Add:		
Consolidated net earnings	27,178,000	14,735,000
Increase in equity in subsidiary company in respect of prior years		345,000
Gain on preferred shares and debentures purchased for cancellation	346,000	38,000
Contributed surplus being excess of amount received over par value of 6% participating preferred shares issued	1,319,000	
	158,250,000	136,275,000
Deduct:		
Dividends		
Participating preferred shares	404,000	364,000
Common shares	2,317,000	2,038,000
Decrease (increase) in equity in unconsolidated subsidiaries and affiliated companies arising from changes in retained earnings	158,000	(520,000)
Net loss on capital asset transactions	1,118,000	4,986,000
	3,997,000	6,868,000
Retained earnings end of year	$154,253,000	$129,407,000

Statement of Consolidated Source and Use of Funds

For the Year ended December 31

	1973	1972 *restated*
SOURCE OF FUNDS		
From operations		
Consolidated net earnings	$ 27,178,000	*$ 14,735,000*
Depreciation	11,893,000	*12,442,000*
Deferred income taxes	2,420,000	*222,000*
Earnings not received in cash	(14,273,000)	*(8,240,000)*
	27,218,000	*19,159,000*
Proceeds from disposal of fixed assets	12,826,000	*1,793,000*
Proceeds from disposal of securities	34,665,000	*32,085,000*
Proceeds from issue of common shares	1,869,000	*115,000*
Proceeds from issue of 6% non-cumulative preferred shares	2,198,000	
	78,776,000	*53,152,000*
USE OF FUNDS		
Additions to fixed assets	8,230,000	*25,472,000*
Reduction of long-term debt (net)	7,758,000	*10,109,000*
Dividends — common	2,317,000	*2,038,000*
— participating preferred	404,000	*364,000*
Purchase of investments	29,678,000	*3,885,000*
Acquisition of 4¾% preferred shares for cancellation	604,000	*69,000*
Increase (decrease) in advances to trustees of share purchase plans	1,745,000	*(194,000)*
Miscellaneous	1,030,000	*1,820,000*
	51,766,000	*43,563,000*
INCREASE IN WORKING CAPITAL	$ 27,010,000	*$ 9,589,000*

Notes to Consolidated Financial Statements

Note 1. Principles of Consolidation and Presentation

The consolidated financial statements comprise the accounts of Power Corporation of Canada, Limited and its wholly-owned subsidiary companies and its share of the earnings and other changes in the retained earnings accounts of other subsidiary companies for the period of control by the Company.

In the case of Consolidated-Bathurst Limited, in which the Company and its consolidated subsidiaries own 43.1% of the equity, the share of earnings and other changes in the retained earnings accounts have been included for the period beginning January 1, 1973 and the accounts in respect of 1972 have been restated to reflect the change adopted in the year 1973.

A full consolidation of the financial statements of Power Corporation and its subsidiary companies has not been prepared as such statements would not present fairly the financial position of the Company as at December 31, 1973. Summaries of the financial statements of the subsidiary and affiliated companies are presented on pages 13 to 25 of this Report.

It is the policy of the Company not to amortize the difference between the costs of investment in companies accounted for on an equity basis and the book value of the underlying net assets at the dates of acquisition.

Note 2. Unconsolidated Subsidiary Companies

	Laurentide Financial Corporation Ltd.	*The Imperial Life Assurance Company of Canada*	*The Investors Group*	*Other*	*Total*
Voting interest	53.1%	51.2%	56.5%	N/A	N/A
Equity interest	53.1%	51.2%	34.4%	N/A	N/A
			Thousands		
Carrying value as per balance sheet:					
December 31, 1972	$25,256	$19,125	$42,795	$27,055	$114,231
Purchases during year—at cost	845		9,574	906	11,325
Equity in subsidiary sold				(25,339)	(25,339)
Share of earnings	2,792	616	4,586	311	8,305
Increases in equity arising from changes in retained earnings	88		239		327
Dividends received	(1,085)	(328)	(1,730)		(3,143)
December 31, 1973	$27,896	$19,413	$55,464	$ 2,933	$105,706
Share of equity December 31, 1973	$21,718	$ 7,161	$33,804	$ 3,002	$ 65,685

The consolidated earnings include $2,755,000 share of earnings derived from The Imperial Life Assurance Company of Canada and The Great-West Life Assurance Company (a subsidiary of The Investors Group) whose financial statements have been prepared on the basis of requirements of the Department of Insurance of Canada. The carrying value of the investment in The Imperial Life Assurance Company of Canada at December 31, 1972 has been restated in the amount of $218,000 to give effect to a prior period adjustment.

Note 3. Quoted Securities

	Class	*% of Outstanding*	*Thousands* Cost	*Thousands* Market Value
Argus Corporation Limited	common	10.4%	$ 3,634	$ 3,510
Consolidated-Bathurst Limited	common	43.1%	99,962*	75,337
	debentures		990	880
			$104,586	$79,727

*Details of the investment in common shares of Consolidated-Bathurst Limited are as follows:

Cost	$92,184
Share of earnings — 1972	1,235
— 1973	6,925
Decrease in equity arising from changes in retained earnings	(382)
	$99,962
Share of equity December 31, 1973	$53,022

Note 4. *Unquoted Securities*

	Thousands 1973	*Thousands* *1972*
Gesca Ltée (an affiliate)		
Income Debenture maturing December 1, 2020 at cost and accrued income	$23,810	*$21,376*
Advance	3,579	
Télémédia (Québec) Limitée		
6% general mortgage bonds due December 31, 1976-1981 at cost and accrued interest	8,555	*8,120*
Non-interest bearing debentures received for franchises, motor coaches and equipment sold in prior years, payable in amounts related to the cash flow of the issuing companies in instalments to 1982	4,348	*4,742*
Miscellaneous investments	2,744	*2,509*
	$43,036	*$36,747*

Note 5. *Fixed Assets and Gross Revenue*

Major classifications by industry of fixed assets and gross revenue are as follows:

	Fixed Assets — *Cost* 1973	*Fixed Assets* — *Net Book Value* 1973	*Fixed Assets* — *Net Book Value* *1972*	*Gross Revenue* 1973	*Gross Revenue* *1972*
	Thousands				
Water transportation	$155,026	$ 77,023	*$ 82,853*	$ 45,557	*$ 46,243*
Shipbuilding	30,175	11,482	*11,237*	102,042	*43,082*
Land transportation	56,109	24,923	*27,590*	88,750	*74,334*
Other	3,241	875	*3,356*	6,418	*6,343*
	$244,551	$114,303	*$125,036*	$242,767	*$170,002*

Vessels are depreciated on a straight line basis on estimated useful lives of from 20 to 25 years. Land transportation revenue equipment is depreciated on estimated useful life of from 5 to 10 years. The majority of the remaining assets are depreciated at the maximum rates permitted for income tax purposes.

Note 6. *Long-Term Debt*

	Thousands 1973	*Thousands* *1972*
Parent Company		
5½% debentures maturing March 1, 1977	$ 4,261	*$ 4,309*
Wholly-owned subsidiaries		
Secured income debentures, 5⅝% maturing February 27, 1973		*1,000*
Secured term bank loans, repayable $5,000,000 per annum, and $20,000,000 on December 1, 1979 bearing interest at the prime rate plus 1%	45,000	*50,000*
Equipment trust certificates, at various rates from 6½% to 10% maturing March 1, 1974 to May 1, 1982	7,270	*8,940*
7% first mortgage sinking fund bonds maturing November 15, 1975	1,562	*1,722*
7% sinking fund debentures maturing April 1, 1976	980	*1,155*
Note at prime rate plus 1% due November 1, 1978, repayable $225,000 semi-annually	2,200	*2,650*
6½% sinking fund debentures maturing December 15, 1979	3,200	*3,321*
6½% redeemable secured debentures, with sinking fund, maturing June 1, 1980, repayable $300,000 per year	8,460	*8,760*
Government loans for construction of fixed assets, repayable in three annual instalments to 1976	285	*378*
Secured 5% note payable by instalments related to profits of a subsidiary company	315	*361*
	73,533	*82,596*
Deduct: Instalments due within one year	7,734	*9,039*
	$65,799	*$73,557*

Instalments due on long-term debt over the next five years are as follows:
1975 — $8,697,000; 1976 — $7,750,000; 1977 — $11,281,000; 1978 — $6,700,000; 1979 — $23,090,000.

Note 7. *Deferred Income*

During 1973, a subsidiary company sold two vessels to unconsolidated subsidiary companies. The gains of $3,073,000 were credited to deferred income, to be taken into account in the statement of earnings over the periods during which the statement of earnings would be affected if the subsidiaries were consolidated subsidiaries.

Notes to Consolidated Financial Statements

Note 8. Capital Stock

	1973	1972
First preferred shares of $50 par value issuable in series		
Authorized — 1,946,660 shares		
Issued — 545,660 shares 4¾% cumulative redeemable 1965 series (i)	$ 27,283,000	$ 28,228,000
Second preferred shares of $12 par value issuable in series		
Authorized — 10,000,000 shares		
Issued — 4,128,860 shares 5% cumulative redeemable convertible series "A" (ii)	49,546,000	49,621,000
Six per cent non-cumulative participating preferred shares of $5 par value		
Authorized — 1,592,760 shares		
Issued — 1,389,904 shares (iii)	6,950,000	6,070,000
	$ 83,779,000	$ 83,919,000
Common shares of no par value		
Authorized — 30,000,000 shares		
Issued — 10,476,473 shares (iv)	$ 58,337,000	$ 56,393,000

(i) redeemable on or before July 15, 1977, at $51.00; thereafter at $50.50 and in each case plus accrued and unpaid dividends. During the year 18,900 shares were redeemed and cancelled.

(ii) redeemable at $12 plus accrued and unpaid dividends; convertible on or before May 31, 1978. During the year 6,200 shares were converted into common shares.

(iii) 607,578 of the issued participating preferred shares have non-detachable warrants attached entitling the holder to subscribe for one additional participating preferred share in respect of each three such shares presently held at a subscription price of $15 per share from June 1, 1973 to May 31, 1978. On or before May 31, 1973, 175,804 shares were issued at $12.50 per share on the exercise of non-detachable warrants.

202,526 participating preferred shares are reserved for the exercise of the non-detachable warrants attached to the participating preferred shares.

(iv) During the year 267,500 common shares were issued under terms of the stock option plan as noted below:

	Shares Under Option	*Option Price*	*Exercised During Year*	*Cancelled During Year*	*Options Outstanding*	*Year of Grant*	*Expiry Date*
Directors and Officers	166,000	$ 4.62	166,000			1971	1981
	40,000	11.47	40,000			1972	1982
Employees	9,000	4.62	9,000			1971	1981
	57,500	11.47	52,500	5,000		1972	1982
	272,500		267,500	5,000	—		

(v) Dividends paid on non-participating preferred shares were as follows:

	1973	1972
4¾% first preferred shares 1965 series	$ 1,303,000	$ 1,345,000
5% second preferred shares series "A"	2,478,000	2,482,000
	$ 3,781,000	$ 3,827,000

Note 9. Contingent Asset

On March 30, 1973 the Company entered into an agreement to sell the shares of Dominion Glass Company Limited, held by a wholly-owned subsidiary, to Consolidated-Bathurst Limited for a maximum price of $21,749,000, of which $17,671,000 was paid in cash. The balance, which is not to exceed $4,078,000, will be determined on the basis of a formula related to the earnings of Dominion Glass Company Limited for the fiscal years ending December 31, 1974 to 1976 and will be payable on or before June 30, 1977.

Note 10. Commitments and Contingent Liabilities

(a) A subsidiary company entered into an agreement on November 29, 1972 to purchase the shares of Strickland Transportation Company, Inc. for U.S. $14,000,000 and certain assets leased by Strickland Transportation Company, Inc. for U.S. $4,400,000. This agreement is subject to the required approval being received from the appropriate regulatory authorities within two years of the date of signing. $1,525,000 par value of Government of Canada Bonds are pledged as security for performance by the company under this agreement.

(b) A letter of credit of $5,000,000 is outstanding with respect to guarantees under contract for the construction of ships.

(c) Subsidiary companies charter vessels, and lease terminals, trucks and busses under long-term agreeements with subsidiary and other companies. Aggregate minimum rentals under these charter hire agreements and leases are as follows for each of the periods shown:

1974	$ 4,392,000
1975 — 1979	19,953,000
1980 — 1984	14,644,000
1985 — 1989	8,268,000
After 1989	3,789,000
	$51,046,000

Note 11. Remuneration of Directors and Officers

The remuneration received by Directors and Officers during the year ended December 31, 1973 was as follows:

	as Directors		*as Officers*	
	Number	*Amount*	*Number*	*Amount*
from:				
Power Corporation of Canada, Limited	19*	$113,800	12	$343,300
from subsidiaries:				
Canada Steamship Lines, Limited	6	6,500	4	254,700
Laurentide Financial Corporation Ltd.	6	23,100		
Union Acceptance Corporation Limited	3	9,500		
Elite Insurance Company	3	900		
The Imperial Life Assurance Company of Canada	2	6,500	1	5,500
The Investors Group	4	13,600	1	50,000
The Great-West Life Assurance Company	2	22,100		
Montreal Trust Company	3	11,400	1	50,000

**Includes 7 Officers*

Auditors' Report

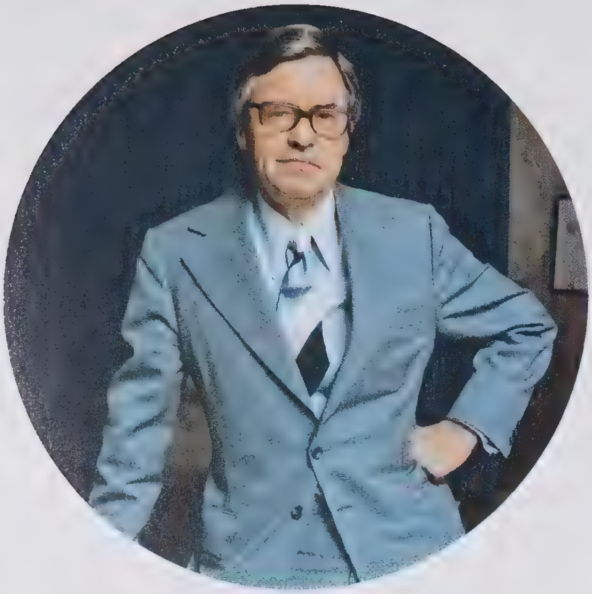
The Shareholders,
Power Corporation of Canada, Limited.

We have examined the consolidated balance sheet of Power Corporation of Canada, Limited and consolidated subsidiary companies as at December 31, 1973 and the statements of consolidated earnings, of consolidated retained earnings and of consolidated source and use of funds for the year then ended. For Power Corporation of Canada, Limited and those subsidiaries of which we are the auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to those subsidiaries of which we are not the auditors, we have relied for purposes of these statements on the reports of the other auditors.

In our opinion, except that the net loss on capital asset transactions has been included in the statement of consolidated retained earnings rather than the statement of consolidated earnings, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year as restated.

TOUCHE ROSS & CO.
CHARTERED ACCOUNTANTS.

Montreal, Que. March 18, 1974.



LOUIS R. DESMARAIS
Chairman and Chief Executive Officer

Condensed report of the Directors to Shareholders

The consolidated earnings for the year ended December 31, 1973 amounted to $23,907,000, after preference share dividends, compared with $14,038,000 (restated) for the prior year.

Gross Revenue

Gross revenue of Canada Steamship Lines, Limited and its wholly-owned operating subsidiary companies was $242,767,000 compared with $170,002,000 in 1972. The land transportation division accounted for $14,000,000 of the increase, while the shipbuilding division accounted for $59,000,000. Water transportation division revenue was down marginally.

Increased revenue of the land transportation division reflects the continuing growth of the number of passengers carried and volume of parcel express handled by the Voyageur bus system, and an increase in the volume of shipments moved by the Kingsway truck system. The shipbuilding division delivered two 80,000-ton ocean-going tankers, a destroyer escort vessel for the Government of Canada and a 30,000-ton self-unloader, M. V. *H. M. Griffith*, during the year. The planned reduction in package freight operations was the prime cause of the marginal decrease in water transportation revenue.

Earnings

The increase in earnings from operations, before depreciation and taxes, from $26,241,000 in 1972 to $33,508,000 in 1973 results from a more encouraging performance by the shipbuilding division as well as greater contributions by the quarrying, heavy hauling and, in particular, truck and bus operations. This overall improvement occurred despite increases in labour, fuel and other costs.

The share of earnings of unconsolidated subsidiaries and affiliated companies increased to $17,167,000 from $6,263,000 (restated) for that period in 1972 commencing with their date of acquisition. A major contributing factor (apart from having a full year's earnings from these companies compared with approximately six months in 1972) was the substantially improved results of Consolidated-Bathurst Limited.

Interest on long-term debt includes a full year's charges for the debt incurred on the acquisition, from the parent company, of the unconsolidated subsidiaries and affiliated companies in June 1972.

Income taxes are sharply higher because of increased taxable income for the Company and its wholly owned subsidiaries.

Balance Sheet

Current assets at $83,778,000, including $56,325,000 in short-term notes and Government of Canada bonds, are in excess of current liabilities by $40,536,000. Working capital increased by $23,927,000 for the year.

The investments in shares of Dominion Glass Company Limited and the promissory note of Campeau Corporation Limited were sold and a substantial portion of the proceeds were reinvested in shares of The Investors Group and Consolidated-Bathurst Limited.

The net book value of fixed assets reflects the disposal of certain vessels and surplus assets of the water and land transportation divisions.

Outlook

A decision is expected this year on the Company's application to the U.S. Interstate Commerce Commission seeking approval for the acquisition of the Strickland Transportation Company, Inc. of Dallas, Texas, a major American trucking company.

In 1974, the shipbuilding division will deliver a third 80,000-ton tanker and commence work on shipbuilding orders extending to 1976, which total $163,000,000. Further, the land and water transportation divisions are well equipped to maintain their share of the growing demand for transportation services. Thus, the overall outlook for 1974 is encouraging.

Condensed Income Statement	1973	1972 *restated*	1971
Gross revenue from operations	$242,767,000	*$170,002,000*	*$143,181,000*
Earnings from operations, less depreciation	$ 21,615,000	*$ 13,799,000*	*$ 18,753,000*
Income from investments, subsidiary and affiliated companies	20,318,000	*8,964,000*	*1,608,000*
	41,933,000	*22,763,000*	*20,361,000*
Interest on long-term debt	13,112,000	*7,574,000*	*1,092,000*
Income taxes	4,352,000	*589,000*	*8,379,000*
Minority interest and preferred dividends	562,000	*562,000*	*573,000*
	18,026,000	*8,725,000*	*10,044,000*
Consolidated earnings available to common shareholders	$ 23,907,000	*$ 14,038,000*	*$ 10,317,000*

Condensed Balance Sheet			
Current assets	$ 83,778,000	*$ 48,325,000*	*$ 60,096,000*
Investments and other assets	162,603,000	*161,371,000*	*10,710,000*
Fixed assets	114,303,000	*125,036,000*	*112,685,000*
Total Assets	$360,684,000	*$334,732,000*	*$183,491,000*
Current liabilities	$ 43,242,000	*$ 31,716,000*	*$ 26,156,000*
Long-term debt	136,188,000	*143,898,000*	*12,810,000*
Provisions and deferred taxes	42,690,000	*37,223,000*	*37,290,000*
Minority interest and preferred equity	12,005,000	*11,815,000*	*11,462,000*
Common shareholders' equity	126,559,000	*110,080,000*	*95,773,000*
Total Liabilities	$360,684,000	*$334,732,000*	*$183,491,000*

K. C. ARMSTRONG
President and Chief Executive Officer

Condensed report of the Directors to Shareholders

Your Company enjoyed continued growth during the year. Substantial credit demand for consumer goods and capital expenditures, along with increased marketing effort, resulted in an increase of 31% in the volume of business acquired in 1973 over 1972. Written premiums in our casualty insurance subsidiary, Elite Insurance Company, were up 14% over 1972.

While gross earnings of $58.8 million were up 14.0%, substantial increases in short-term interest rates impinged on net profits. Net earnings for the year were $6,617,000 and after providing for preferred dividends, earnings available for common shareholders amounted to $1.29 per share compared with $1.35 for the previous year.

In 1973, your Company issued through its underwriters $10 million 8½% debentures due in 1993 retractable to 1983 and in February, 1974 issued $15 million 9⅝% secured notes due in 1994.

Additionally, our subsidiary, Union Acceptance Corporation Limited (99.4% owned) issued $5 million debentures bearing interest at 9¼% due in 1989 retractable to 1979.

At year-end, commercial paper borrowings were $109 million compared with $79 million at December 31, 1972. Bank lines of credit increased by $36 million and at year-end were $186 million.

Consumer Division

Consumer loan receivables increased by $25.8 million or 16.6% to $181.0 million during the year. Sales finance contracts covering purchases of automobiles, furniture and appliances, and other consumer goods increased by $7.4 million or 19.8%.

Gross income generated by this Division was $34.5 million, an improvement of $2.9 million over 1972.

Industrial Division

The Industrial Division recorded growth in excess of 30% over 1972, resulting in total finance receivables at year-end of $97.0 million. Gross income increased approximately 20.0% to $10.2 million.

Real Estate and Mortgage Division

This Division also showed substantial growth during the year and its outstandings of $35.4 million were up 55.5% over the previous year. Its gross income stood at an all-time high of $4.2 million, an increase of 13.1% over 1972.

Commercial Portfolio

The Laurentide commercial portfolio, which is managed by its subsidiary, North Continent Capital Ltd., consists primarily of leasing transactions.

Receivables in this portfolio were $22.1 million, an increase of 84.9% over 1972.

Caribbean Operations

The operations of our eight branch offices in the Bahamas and Jamaica are entirely in consumer finance services and the results of these operations are encompassed under our comments for the Consumer Division.

Elite Insurance Company

Elite Insurance Company's net earnings after tax for 1973 were $472,000 compared with $366,000 in 1972.

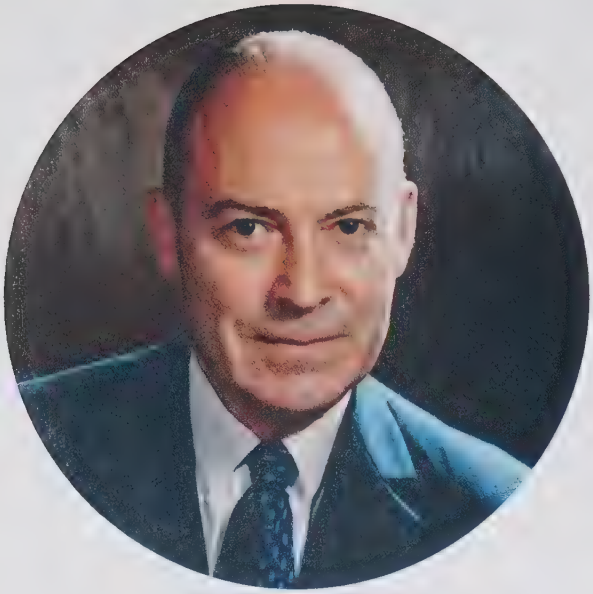
Gross written premiums were $11.2 million compared with $9.8 million in 1972.

North Continent Capital Ltd.

Norco made good progress in 1973, increasing its receivables from $8.1 million at December 31, 1972 to $24.6 million at December 31, 1973. Norco presently finances its activities from bank lines in Canada and the U.S. and, accordingly, was affected by the sharp increase in the Canadian and U.S. prime rates. However, a small profit was shown by year-end.

Condensed Income Statement	**1973**	**1972**	**1971**
Gross income	$ 58,819,000	$ 51,583,000	$ 48,188,000
Cost of borrowings	17,468,000	12,538,000	11,449,000
Credit losses	3,464,000	2,624,000	2,618,000
Insurance claims and expenses	5,333,000	4,755,000	3,895,000
Operating expenses	19,756,000	18,607,000	17,337,000
Income taxes	5,797,000	6,063,000	6,217,000
Minority interest	384,000	180,000	300,000
	52,202,000	44,767,000	41,816,000
Net earnings before extraordinary items	$ 6,617,000	$ 6,816,000	$ 6,372,000
Earnings per common share	$ 1.29	$ 1.35	$ 1.24
Dividends per common share	$ 0.50	$ 0.50	$ 0.30
Power Corporation's share of earnings	$ 2,792,000	$ 2,860,000	$ 2,640,000
Book value of Power's investment in Laurentide — year-end	$ 27,896,000	$ 25,256,000	$ 23,382,000

Condensed Balance Sheet			
Finance receivables — consumer	$226,071,000	$192,852,000	$172,220,000
— industrial, commercial and leases	141,395,000	92,687,000	71,619,000
— real estate and other	50,129,000	32,513,000	28,648,000
Less: Unearned finance income and allowance for credit losses	73,115,000	53,014,000	40,590,000
Finance receivables — net	344,480,000	265,038,000	231,897,000
Other assets	38,817,000	45,351,000	55,493,000
Total Assets	$383,297,000	$310,389,000	$287,390,000
Short-term debt	$156,671,000	$109,611,000	$101,938,000
Long-term debt	132,069,000	116,307,000	106,741,000
Other liabilities	26,466,000	20,048,000	17,444,000
Minority interest and preferred equity	27,191,000	27,803,000	28,987,000
Common shareholders' equity	40,900,000	36,620,000	32,280,000
Total Liabilities	$383,297,000	$310,389,000	$287,390,000



G. KINGSLEY FOX, F.C.I.A.
President and Chief Executive Officer

Condensed report of the Directors to Shareholders

New Business

The volume of new life insurance and annuity business in 1973 amounted to $882,825,000, which included new records of $583,055,000 on individual lives and $299,770,000 from group life insurance and annuities. New business on individual lives (including health insurance) produced yearly premiums of $10,254,000 and single premiums of $11,588,000. New group insurance produced premiums of $6,669,000.

Business in Force

The year ended with $4,286,669,000 of life insurance in force, including $1,586,428,000 of group life insurance and annuities. Health insurance contracts in force at the end of the year had yearly premiums of $8,856,000.

Income

Premium income amounted to $91,550,000 and net interest, dividends and rents to $35,597,000 after deduction of all investment expenses.

Benefit Payments

Payments to policyholders and beneficiaries during 1973 aggregated $56,319,000, including $8,990,000 in dividends to holders of participating policies. Death claims amounted to $13,480,000.

Assets

The book value of the assets of the Company and its subsidiary companies amounted to $621,051,000. These values in the aggregate are less than their aggregate authorized values on December 31, 1973. The net rate of interest earned in 1973 was 6.93% before taxes on Canadian investment income (1972 — 6.66%).

Insurance and Annuity Liabilities

The total of the reserves for insurance and annuity liabilities, including reserves for segregated investment funds, is $459,446,000, which is greater than governmental requirements.

Surplus Funds

The ratio of surplus funds to total liabilities remained at a satisfactory level.

Policyholder Dividends

The current scales of policyholder dividends, which embody improvements for certain plans of insurance, have been authorized for continuance until June 30, 1974.

Earnings Per Share

Consolidated statutory earnings per share are based on the net revenue (including net realized capital gains) of the shareholders' account, of the non-participating life insurance business, of the health insurance business and the appropriate portion of the net revenue of subsidiary companies. These earnings may fluctuate widely as they are greatly influenced by the rates of mortality and morbidity and by the level of net realized capital gains. The consolidated statutory earnings per share amounted to $6.01 compared to a restated $5.44 in 1972.

Condensed Income Statement

	1973	1972 *restated*	1971
Premium income	$ 91,550,000	$ 81,131,000	$ 76,277,000
Investment income — net	35,597,000	32,251,000	32,404,000
Other income	(2,411,000)	7,684,000	4,255,000
	124,736,000	121,066,000	112,936,000
Benefits paid and accrued	51,253,000	46,399,000	41,846,000
Additions to reserves	32,544,000	39,056,000	35,403,000
Operating expenses	29,767,000	24,357,000	22,424,000
Policyholder dividends	8,990,000	8,813,000	8,414,000
Income and premium taxes	1,813,000	1,850,000	2,035,000
Net income — participating life account	(833,000)	(497,000)	528,000
	123,534,000	119,978,000	110,650,000
Net income available to shareholders	$ 1,202,000	$ 1,088,000	$ 2,286,000
Earnings per share	$ 6.01	$ 5.44	$ 11.43
Dividends per share	$ 3.20	$ 2.80	$ 2.55
Power Corporation's share of earnings	$ 616,000	$ 558,000	$ 1,171,000
Book value of Power's investment in Imperial — year-end	$ 19,413,000	$ 19,125,000	$ 18,854,000

Condensed Balance Sheet

	1973	1972	1971
Bonds, debentures, mortgages and loans	$410,319,000	$396,845,000	$389,158,000
Stocks	73,531,000	67,263,000	59,356,000
Real estate	48,445,000	40,465,000	37,529,000
Segregated investment funds	59,079,000	52,018,000	34,705,000
Other assets	29,677,000	17,593,000	16,722,000
Total Assets	$621,051,000	$574,184,000	$537,470,000
Policy reserves, deposits and retirement funds	$463,241,000	$433,533,000	$419,950,000
Segregated investment funds reserves	59,079,000	52,018,000	34,705,000
Provision for policyholder dividends	9,120,000	8,815,000	8,090,000
Other liabilities	30,550,000	20,486,000	14,649,000
Capital stock, retained earnings and reserves	59,061,000	59,332,000	60,076,000
Total Liabilities	$621,051,000	$574,184,000	$537,470,000

R. H. JONES
President and Chief Executive Officer

Condensed report of the President to Shareholders

Operating results

The consolidated earnings from operations for the year ended December 31, 1973 amounted to $16,125,000 compared with $12,409,000 for the prior year. After deduction for dividends on the Company's outstanding preferred stock the consolidated earnings per common and common Class A shares were $1.15. The 1972 comparative result was 85 cents per share. This represents an increase of 35% in 1973 over 1972.

Consolidated income from investment certificates is made up primarily from the certificate operations of Investors Syndicate Limited and of The Western Savings and Loan Association. Despite a significant increase in certificate disbursements over 1972, a higher level of single payment certificate sales produced an overall net cash inflow and contributed to a 6% increase in consolidated certificate liabilities. A material improvement in net income from certificate operations was achieved in 1973 through the investment of available cash in higher yielding mortgages and bonds.

Income from management and distribution operations is derived principally from mutual fund activities. While a moderate gain in income was recorded in the distribution of funds, the major part of the increase in management and distribution income over 1972 was due to improved investment management fee income.

The consolidated financial statements include the accounts of The Investors Group and its wholly-owned subsidiaries and Investors' share of the earnings of The Great-West Life Assurance Company and Montreal Trust Company, subsidiary companies in which Investors has a majority share interest.

While the earnings results for 1973 were favourable, the economic climate existing for a large part of the year was unsettled. After a promising beginning early in the year and a short recovery period in September and October, North American and other free world stock markets suffered from uncertainty caused by a series of seemingly unrelated events. Markets immediately reflected adversity and yet paid little attention to very impressive earnings increases reported by a large number of corporations and to other favourable factors. The rate of inflation in the western world increased sharply in 1973 and there seemed to be an increasing acceptance of its inevitability rather than a search for corrective measures. It is encouraging that under these conditions the demand for the many financial services offered by the Group's subsidiary companies increased.

Traditionally our mortgage underwriting, funding and servicing operations have been directed mainly towards the investment of our own corporate funds. In the seventies, interest in mortgage investments has widened considerably and individuals and institutions not previously involved are including mortgages in their investment programs. During 1973 all of the Group's mortgage activities were transferred to Investors Syndicate Realty Limited. This company now offers a full mortgage service to the Group's wholly-owned subsidiaries and to outside clients.

Dividends

A semi-annual dividend of 25 cents per share on the common and common class A shares was paid on October 1, 1973. This was an increase of 5 cents per share over the previous semi-annual dividend rate. A quarterly dividend of 12½ cents per share on the common and common class A shares was declared payable on February 1 and May 1, 1974.

Outlook

The increasing complexity of financial planning is resulting in a growing need for innovative kinds of financial services to corporations and individuals. To meet these demands requires substantial personnel and capital resources. The major thrust of the Company in recent years has been directed to expanding the operating base and diversifying the main sources of income. Our progress toward these goals has favourably positioned The Group and its principal operating companies and we look forward with confidence to the challenges and opportunities which lie ahead.

Condensed Income Statement	**1973**	**1972**	**1971**
Income from certificate operations	$ 7,682,000	$ 6,340,000	$ 5,576,000
Income from management and distribution operations	6,703,000	4,303,000	4,143,000
Income from trust operations	238,000	236,000	193,000
Share of earnings of subsidiary and associated companies	8,737,000	6,329,000	4,547,000
	23,360,000	17,208,000	14,459,000
Interest on bank loan	868,000	195,000	
Income taxes	6,367,000	4,604,000	4,717,000
	7,235,000	4,799,000	4,717,000
Net income before extraordinary items	$ 16,125,000	$ 12,409,000	$ 9,742,000
Earnings per common and common Class A share	$ 1.15	$ 0.85	$ 0.63
Dividends per common and common Class A share	$ 0.575	$ 0.40	$ 0.40
Power Corporation's share of earnings	$ 4,586,000	$ 2,905,000	$ 2,160,000
Book value of Power's investment in Investors — year-end	$ 55,464,000	$ 42,795,000	$ 41,508,000

Condensed Balance Sheet			
Cash and marketable securities	$132,924,000	$144,730,000	$130,032,000
Mortgages and loans	329,511,000	290,818,000	268,319,000
Investment in subsidiary and associated companies	108,139,000	99,269,000	81,596,000
Other assets	13,634,000	14,377,000	14,356,000
Total Assets	$584,208,000	$549,194,000	$494,303,000
Certificate liabilities	$414,757,000	$389,783,000	$350,965,000
Other liabilities	31,184,000	29,744,000	17,983,000
Preferred equity	39,999,000	40,000,000	40,000,000
Common and common Class A shareholders' equity	98,268,000	89,667,000	85,355,000
Total Liabilities	$584,208,000	$549,194,000	$494,303,000

J. W. BURNS
President and Chief Executive Officer

Condensed report of the Directors to Shareholders

The year 1973 was marked by higher sales, a continuing strong growth rate in business in force and substantially improved investment income. Earnings improved for both policyholders and shareholders.

Sales and Business in Force

New records were established in sales of both life insurance and annuities and reached a total of $2,804,591,000, an increase of 22% over 1972.

Health insurance sales of $20,937,000 in terms of gross annual premiums were slightly down from the record level achieved in 1972.

Business in force at December 31, excluding health insurance, totalled $19,083,164,000, up 17%, consisting of $15,594,194,000 of life insurance and $3,488,970,000 of annuities. Health insurance in force in terms of gross annual premiums increased $19,088,000 to $118,650,000.

Earnings

Net income before policyholder dividends amounted to $36,482,000. Policyholder dividends were $20,619,000 and the net income carried forward to the participating policyholders' surplus account was $2,296,000. The increase in dividends on individual policies was largely offset by a decrease on certain group accounts. Shareholders' earnings totalled $13,567,000 or $6.78 per share compared with $5.86 in 1972.

Premium income increased 16.5% to $375,175,000 reflecting both strong consumer interest in the Company's products and improved retention of business through ongoing service initiatives. Net investment income at $118,936,000 recorded a 15% gain and the net rate of return on investments was 6.75% compared with 6.34% in 1972.

After being unusually favorable in 1972, the mortality experience on individual insurance policies returned to long-term expected levels in 1973. Group insurance mortality experience improved over the previous year, while the claims rate on group health insurance was slightly higher.

Benefits and dividends paid to policyholders and their beneficiaries increased 15% to $273,917,000 and the increase in policy reserves to provide for future benefits was $127,705,000.

The Company's expense ratio continued to improve despite a largely inflation-induced increase in operating expenses.

Realized and unrealized capital losses on segregated investment funds reflect the stock market conditions prevailing in 1973. Such capital gains and losses are credited or charged to these funds and do not affect net income. In 1973 a United States segregated property investment fund was established with an initial investment of $500,000 transferred from the shareholders' account.

Assets and Liabilities

Assets totalled $1,933,707,000 at the close of 1973, up $155,317,000 from the previous year. The Company's long-term policy of making provision for fluctuations in investment experience was continued in 1973 by an asset write-down of $5,668,000.

Liabilities amounted to $1,781,553,000 consisting primarily of obligations to policyholders. Capital, contingency reserve and surplus increased $9,336,000 to $152,154,000, which at 8.5% of liabilities provides a reasonable margin for the protection of policyholders.

Outlook

The Company's capacity to serve its large and growing United States market was enhanced during 1973 with the establishment of a marketing headquarters in Denver, Colorado.

Despite economic uncertainties in both Canada and the United States, the expanding market for insurance and other financial services provides an encouraging outlook for the Company's continued growth and development.

Condensed Income Statement

Condensed Income Statement	1973	1972	1971
Premium income	$ 375,175,000	$ 322,210,000	$ 274,412,000
Investment income — net	118,936,000	103,112,000	91,286,000
Other income	(11,431,000)	7,875,000	4,802,000
	482,680,000	433,197,000	370,500,000
Benefits paid and accrued	253,299,000	218,094,000	190,615,000
Additions to reserves	127,705,000	122,302,000	97,715,000
Operating expenses	54,363,000	48,603,000	44,606,000
Policyholder dividends	20,619,000	20,380,000	18,118,000
Income and premium taxes	10,831,000	11,165,000	10,137,000
Net income — participating policyholders	2,296,000	925,000	783,000
	469,113,000	421,469,000	361,974,000
Net income available to shareholders	$ 13,567,000	$ 11,728,000	$ 8,526,000
Earnings per share	$ 6.78	$ 5.86	$ 4.26
Dividends per share	$ 2.00	$ 1.60	$ 1.40
Investors' share of earnings	$ 6,610,000	$ 5,745,000	$ 4,141,000
Book value of Investors' investment in Great-West — year-end	$ 80,346,000	$ 75,221,000	$ 72,223,000

Condensed Balance Sheet

Condensed Balance Sheet	1973	1972	1971
Bonds, debentures, mortgages and loans	$1,466,698,000	$1,362,193,000	$1,262,851,000
Stocks	132,060,000	117,144,000	107,303,000
Real estate	150,218,000	148,850,000	141,591,000
Segregated investment funds	120,725,000	98,303,000	65,297,000
Other assets	64,006,000	51,900,000	57,414,000
Total Assets	$1,933,707,000	$1,778,390,000	$1,634,456,000
Policy reserves and funds	$1,552,578,000	$1,441,285,000	$1,344,513,000
Segregated investment funds reserves	120,725,000	98,303,000	65,297,000
Provision for policyholder dividends	21,229,000	19,775,000	17,748,000
Other liabilities	87,021,000	76,209,000	70,870,000
Capital stock, reserve and surplus	152,154,000	142,818,000	136,028,000
Total Liabilities	$1,933,707,000	$1,778,390,000	$1,634,456,000

PAUL BRITTON PAINE, Q.C.
President and Chief Executive Officer

Condensed report of the Directors to Shareholders

Net operating income for the year was $1.64 per share compared with $1.82 in 1972, while net income was $1.71 per share compared with $2.03 in the prior year.

Revenue and Expense

In our accounts for 1973 we have for the first time segregated real estate commissions from income earned from our other fee and commission producing business. This method of presentation is warranted by the increasing importance our real estate activities have assumed in the overall affairs of the corporation and is an area where we propose to place additional emphasis in the future. While other fee and commission income increased modestly during the year, real estate commissions grew from $4,948,000 in 1972 to $7,518,000 in 1973.

The many specialized services we provide to our clientele make indispensable the maintenance of a sizeable staff possessing a high degree of expertise. Our policy of compensating employees upon a basis which reflects appropriate recognition of their skills as well as the competitive factors of the financial community in which we operate inevitably carries with it substantial cost increases in salaries and related expense. It would be imprudent for us, in a period of temporarily lessened profit margins, to permit any reduction in the quality of our personnel. We have therefore elected to accept the increased cost burden inherent upon our decision to maintain our capabilities at their traditional high level.

Guaranteed Trust Accounts

Our income from this source continues to display a considerable degree of volatility. In a period of rapidly escalating interest rates, the spread between the costs of our deposit-gathering activities and income earned from the placement of these funds inevitably narrows. While we have continued our program of matching term deposits with mortgages placed (which to a large degree immunizes that portion of our portfolio from the major impact of interest rises) we continue to hold long-term assets with lesser yields than are obtainable in current circumstances. The funding of these assets at rates prevailing during much of 1973 has had a significant adverse impact upon our earnings from this major activity. It will be noted that while income from our Guaranteed Account rose from $36,265,000 in 1972 to $43,466,000 in 1973, interest paid increased from $29,568,000 to $37,685,000 resulting in a diminution in net income from this source of $916,000.

Balance Sheet

Total assets increased from $593,222,000 to $627,263,000.

Mortgages held for Guaranteed Trust Accounts increased by $76,092,000 for the year compared with an increase of $41,207,000 in the prior year. These mortgages are substantially all home-owner loans and financing was provided by 5-year term deposits.

Shareholders' equity increased by $2,832,000. Per share equity was $15.01 compared with $14.09 at December 31, 1972.

Condensed Income Statement	1973	1972	1971
Income from investments (net of interest)	$ 5,781,000	$ 6,697,000	$ 5,828,000
Fees and commissions	20,052,000	18,774,000	18,318,000
Real estate commissions	7,518,000	4,948,000	3,641,000
Other income	3,914,000	3,494,000	3,204,000
	37,265,000	33,913,000	30,991,000
Operating expenses	29,546,000	25,479,000	23,320,000
Income taxes	3,519,000	3,860,000	4,000,000
	33,065,000	29,339,000	27,320,000
Net operating income	$ 4,200,000	$ 4,574,000	$ 3,671,000
Earnings per share	$ 1.64	$ 1.82	$ 1.50
Dividends declared per share	$ 0.80	$ 0.80	$ 0.70
Investors' share of earnings	$ 2,127,000	$ 584,000	$ 406,000
Book value of Investors' investment in Montreal Trust — year-end	$ 27,793,000	$ 24,048,000	$ 9,373,000

Condensed Balance Sheet			
Assets Held for Guaranteed Trust Accounts			
Mortgages	$375,452,000	$299,360,000	$258,153,000
Securities, cash and other assets	201,569,000	245,699,000	239,124,000
	577,021,000	545,059,000	497,277,000
Company Assets			
Securities, cash and other assets	37,075,000	34,828,000	34,606,000
Office premises and equipment	13,167,000	13,335,000	13,415,000
Total Assets	$627,263,000	$593,222,000	$545,298,000
Guaranteed Trust Accounts			
Deposits	$138,795,000	$119,093,000	$102,798,000
Investment certificates	438,226,000	425,966,000	394,479,000
	577,021,000	545,059,000	497,277,000
Company Liabilities			
Other liabilities	11,567,000	12,320,000	15,876,000
Shareholders' equity	38,675,000	35,843,000	32,145,000
Total Liabilities	$627,263,000	$593,222,000	$545,298,000

W. I. M. TURNER, JR.
President and Chief Executive Officer

Condensed report of the Directors to Shareholders

Operating Results

Earnings in 1973, amounting to $19.0 million after extraordinary charges, were equivalent to $2.60 per common share ($2.74 before extraordinary charges). In 1972, earnings were equivalent to $0.56 per common share. The improvement in earnings in 1973 is largely attributable to higher shipments and increased price levels. The strong demand for the Company's products, which commenced in 1972, continued throughout 1973 and, for most product lines, is even more pronounced as the Company enters 1974. However, the high rate of inflation continues to be a threat to the economy and is having a serious impact on the industry in terms of higher costs for materials, energy, labour and transportation. Moreover, the unsettled international monetary climate, aggravated by world events during the last quarter of 1973, is endangering the stability of international trade.

Net sales and other income in 1973 amounted to $500.2 million, an increase of $149.8 million over 1972. This increase includes the sales of Dominion Glass Company Limited from the date of acquisition of control on April 1, 1973 amounting to $77.1 million.

Cash flow from operations amounted to $51.8 million in 1973, nearly twice that of 1972. As a result, the Company paid the remaining arrears of dividends on preferred shares and more than doubled capital expenditures from the levels of 1972. Included in these capital expenditures in 1973 were amounts relating to the No. 9 newsprint machine at Shawinigan, Quebec, the pulp mill "fines" digester at Portage-du-Fort, Quebec, and the new industrial bag and flexible packaging plant at Brantford, Ontario, all of which went into production in 1973. In addition to its regular debt repayments, the Company retired long-term debt having a book value of $4.9 million. The investments in Dominion Glass Company Limited and Bathurst Paper Limited were further augmented by open-market share purchases totalling $2.3 million.

Balance Sheet

Total assets increased by $104.5 million during the year and at December 31, 1973 amounted to $535 million. Working capital at December 31, 1973 was $81.1 million, an increase of $3.8 million during the year compared with a decline of $5.2 million in the preceding year.

Short-term borrowings at December 31, 1973 totalled $45.9 million, a net increase of $22.6 million during the year. This net increase is mainly attributable to the payment by the Company of $17.7 million to acquire control of Dominion Glass Company Limited in April, 1973 together with the consolidation of that subsidiary's short-term debt which, at December 31, 1973, amounted to $8.2 million.

Long-term debt in 1973 increased by $11.8 million. This results from the inclusion of the long-term debt of Dominion Glass Company Limited totalling $25.7 million less net retirements related to the parent company and other subsidiaries of $13.9 million during the year.

In January 1974, the Company announced that an agreement in principle had been reached with the Government of Quebec whereby Anticosti Island will be sold to the Province of Quebec. The Company estimates the current value of this property, which was acquired by a predecessor company in 1926, ranges between $25 million and $30 million. The nature and amount of the final consideration have yet to be determined.

Dividends on Common Shares

On February 22, 1974 the Board declared a 1973 year-end dividend of $0.75 per share on the common shares of the Company. This dividend will be paid on March 25, 1974 Because of uncertainties in the economy, however, it is not the intention of the Board to resume quarterly common share dividends at this time.

Condensed Income Statement	1973	1972	1971
Net sales	$497,683,000	$348,055,000	$343,362,000
Other income	2,551,000	2,359,000	2,601,000
	500,234,000	350,414,000	345,963,000
Cost of goods sold, including depreciation	420,027,000	303,812,000	305,461,000
Selling and administrative expenses	31,011,000	23,728,000	25,895,000
Interest	14,518,000	10,573,000	12,773,000
Loss from discontinued operations		1,131,000	
Income taxes	14,220,000	4,674,000	1,392,000
Minority interest	588,000	315,000	315,000
	480,364,000	344,233,000	345,836,000
Net income before extraordinary items	$ 19,870,000	$ 6,181,000	$ 127,000
Earnings per common share	$ 2.74	$ 0.55	$ (0.45)
Power Corporation's share of earnings	$ 6,925,000	$ 1,235,000	$ (988,000)
Book value of Power's investment in Consolidated-Bathurst – year-end	$ 99,962,000	$ 80,637,000	$ 79,402,000

Condensed Balance Sheet			
Current assets	$203,745,000	$151,775,000	$158,739,000
Investments and other assets	22,596,000	23,627,000	23,998,000
Property and plant	308,646,000	255,002,000	274,255,000
Total Assets	$534,987,000	$430,404,000	$456,992,000
Current liabilities	$122,679,000	$ 74,472,000	$ 76,220,000
Long-term debt	144,612,000	132,854,000	151,002,000
Other liabilities and provisions	77,771,000	61,593,000	72,673,000
Minority interest and preferred equity	66,905,000	53,623,000	53,544,000
Common shareholders' equity	123,020,000	107,862,000	103,553,000
Total Liabilities	$534,987,000	$430,404,000	$456,992,000

Gesca Ltée

Power Corporation's investment in the field of newspapers is represented by an income debenture of Gesca Ltée, which company owns all the shares of La Presse Ltée, Les Journaux Trans-Canada Ltée and Montréal-Matin Inc. This debenture effectively provides that all earnings and any realized changes in the incremental value in the equity of Gesca Ltée accrue to the debenture holder. The earnings of Gesca Ltée were $2.8 million.

In 1973 Gesca Ltée acquired the then remaining minority interest in Les Journaux Trans-Canada Ltée and all the outstanding shares of Montréal-Matin Inc. Concurrently Les Journaux Trans-Canada Ltée sold all its weekly newspapers and the Granby printing plant to Unimédia Inc. Les Journaux Trans-Canada Ltée, as a result of this sale, has no further interest in weekly newspapers, and now owns La Tribune of Sherbrooke, Le Nouvelliste of Trois-Rivières, and La Voix de l'Est of Granby.

The outlook for 1974 with respect to circulation and advertising revenues continues to be quite satisfactory; however, increased costs could have an adverse effect on the operating results.

Other Investments

Power Corporation and its consolidated subsidiaries have miscellaneous investments, not referred to in detail in this report, having a book value of $19,281,000. These investments include our 10.4% interest in Argus Corporation Limited as well as mortgage bonds of Télémédia (Québec) Limitée and other debentures and mortgages.

Board of Directors

**WILBROD BHERER, Q.C.	*Chairman, Canadian Vickers Limited*
**ALFREDO CAMPO	*Chairman, Petrofina Canada Ltd.*
*PETER D. CURRY	*President and Chief Operating Officer of the Company*
*LOUIS R. DESMARAIS, C.A.	*Chairman and Chief Executive Officer, Canada Steamship Lines, Limited*
*PAUL DESMARAIS	*Chairman and Chief Executive Officer of the Company*
PIERRE GENEST, Q.C.	*Partner, Cassels, Brock*
JEAN-PAUL GIGNAC	*President, Sidbec-Dosco Limited*
J. W. MCGIFFIN	*Deputy Chairman of the Company*
*W. EARLE MCLAUGHLIN	*Chairman and President, The Royal Bank of Canada*
*A. D. NESBITT	*President and Chief Executive Officer, Nesbitt, Thomson & Company, Limited*
PAUL BRITTON PAINE, Q.C.	*President and Chief Executive Officer, Montreal Trust Company*
*JEAN PARISIEN, C.A.	*Senior Deputy Chairman of the Company*
THE HON. JEAN-LUC PEPIN, P.C.	*President, Interimco Ltd.*
CLAUDE PRATTE, Q.C.	*Advocate*
**THE HON. JOHN P. ROBARTS, P.C., C.C., Q.C.	*Partner, Stikeman, Elliott, Robarts & Bowman*
*ROBERT C. SCRIVENER	*Chairman and Chief Executive Officer, Bell Canada*
*P. N. THOMSON	*Deputy Chairman of the Company*
*W. I. M. TURNER, JR.	*President and Chief Executive Officer, Consolidated-Bathurst Limited*

Officers

PAUL DESMARAIS	*Chairman and Chief Executive Officer*
JEAN PARISIEN, C.A.	*Senior Deputy Chairman*
P. N. THOMSON	*Deputy Chairman*
J. W. MCGIFFIN	*Deputy Chairman*
PETER D. CURRY	*President and Chief Operating Officer*
A. F. KNOWLES, C.A.	*Vice President Finance, and Treasurer*
DANIEL JOHNSON	*Secretary*

**Members of the Executive Committee*
***Members of the Audit Committee*

Kippen & Company Inc.
ESTABLISHED 1922

MEMBERS
TORONTO STOCK EXCHANGE
MONTREAL STOCK EXCHANGE   CANADIAN STOCK EXCHANGE
MIDWEST STOCK EXCHANGE
THE INVESTMENT DEALERS' ASSOCIATION OF CANADA

CANADIAN IMPERIAL BANK OF COMMERCE BUILDING
1155 DORCHESTER BOULEVARD WEST
MONTREAL 102. CANADA
MONTREAL: 866-5761
TORONTO: 368-2932

INVESTMENT

RESEARCH

AND MARKET PERSPECTIVES

AR37

Power

POWER CORPORATION OF CANADA LIMITED

(POW–TSE, MSE, VSE, & LONDON, ENGLAND

Recent Price $ 9½		1971 Est. Earnings/Share	$ 0.50 – 0.55
1972 Price Range $ 10-3/8 – 4.00		1972 Est. Earnings/Share	1.25
Indicated Annual Dividend $ 0.20		1973 Est. Earnings/Share	1.50 – 1.70
Yield 2.1%		P/E 1971 Earnings/Share (Est.)	19x
		P/E 1972 Earnings/Share (Est.)	7.6x
		P/E 1973 Earnings/Share (Est.)	5.9x

CONSOLIDATED INVESTMENT PORTFOLIO

	Debs. Bonds & Notes	Preferred Shares	Common Shares No. Held	Common Shares % o/s
*Campeau Corporation	$ 6,359,358	1,000,000	6,287,180	48.5
Canada Steamship Lines		939,840	3,000,000	100.0
Dominion Glass			1,359,344	63.0
Laurentide Financial	160,000	1,000	2,129,171	53.7
Liverpool Plains Pastoral Co. Pty.	330,000 Aust.		506,000	91.6
Imperial Life Assurance			51,245	51.2
**The Investors Group			3,431,780	50.2
Portfolio				
Argus Corporation			175,484	10.4
Consolidated Bathurst	1,000,000	89,800	2,204,858	36.5
Gesca Ltée	23,250,000			
Télémedia (Québec) Ltée.	7,250,000			

**March 21, 1972 Campeau announced that it has proposed to Power Corp. that it purchase the 6,287,180 Campeau shares owned by Power Corp. at a price of $4.50 a share for a total consideration of $28,292,310. The proposal has been accepted by Power Corp. Upon approval of the entire plan (including other changes in its capital structure), Campeau will purchase for cancellation Power Corp.'s holding of 1 million Class B Campeau preferred at a par value of 20¢ each. The warrants attached to the preferred would be cancelled.*

***The Investors Group provides research and management for four mutual funds and in addition owns 50.1% of Great West Life Assurance Company, 24% of Montreal Trust, 49.7% of R.C. Baxter Properties Limited and 100% of Investors Group Trust Company.*

RECOMMENDATION

More than ever we believe that the interest of the investment community in the stock of Power Corp. will depend on management's ability to justify its operating philosophy. The mistakes in judgment, particularly re Consolidated Bathurst, will not be easily disposed of. Perhaps Power Corp. will solve the problem of "Connie" by making a deal to dispose of its interest in that company. On the other hand, Power might use the newly-acquired cash to gain voting control of "Connie", which might or might not prove a profitable move.

At this point we would estimate 1972 earnings at approximately $1.25 a share reflecting in part the significant tax savings derived from applying the tax deductible expenses of Power Corp. against the consolidated earnings of Canada Steamship Lines. The improved outlook for many of the company's earnings' components, coupled with an emphasis on the part of management to maximize profitability and a continued rationalization of operations leads us to believe that earnings may fall into the range of $1.50 – $1.70 a share in 1973. Further, a major increase in Power Corp.'s cash flow may allow for an increase in the present dividend.

Although the recent price advance has brought the stock to the higher end of the two year price range – and this could work against the stock's ability to outperform the market in the near term – we nevertheless advocate aggressive commitments based on the capability of management to utilize its entrepreneurial skills in the creation of a profitable transportation and financial services company. As recognition of Power Corp.'s new operating philosophy becomes more prevalent, the price of the shares should tend to reflect earnings rather than breakup value with the result that a substantial multiple revision may take place as investors reassess this unique company.

THE COMPANY *(Controlled through Nordex Limited by Paul Desmarais, with 50.1% of the common stock).*

Power Corp., formerly a holding company composed primarily of stock in utility companies (as the name implies), because of the expropriation by the provinces of the power companies, has now become a diversified operating enterprise, or conglomerate. The company's policy is to take an equity position (preferably a controlling position) in a limited number of companies which appear to offer above average potential for growth. Following this policy new management during the past several years has greatly increased the proportion of those holdings in which the company's interest is greater than 50% while significantly reducing smaller commitments.

In this respect, however, Power Corp. management would seem to have made two costly errors in the selection of 'growth' vehicles – Consolidated Bathurst and Dominion Glass.

Consolidated Bathurst reported a loss per common share in 1971 of 45¢ against a loss last year of 26¢, in both cases before an extraordinary charge, which, in 1971 resulted in a loss for the year of $8.70 a common share and a loss of $2.30 in 1970. This extraordinary charge is made up of the following: – a contingent liability to "Connie" of $10,600,000 which results from an agreement entered into in February 1972 (closing date no later than July 31, 1972) with Bowaters Canadian Corporation to dispose of its investment in Bulkley Valley Forest Industries. Under the terms of the agreement "Connie" was relieved of its undertaking to make further advances to Bulkley but remains contingently liable for an aggregate amount of approximately $10,600,000; write-offs of $18.8 million of the investment in Bulkley Valley (including the above $10,600,000); provision for estimated losses of $33.1 million (resulting in a charge to earnings of $30.7 million net of deferred tax credits) to cover a number of non-recurring charges and losses including sale or curtailment of the U.S. tissue operation (Concel); reduction in the economic value of its investment in Rolland Paper Company and phase-outs of certain manufacturing and converting operations.

The adverse effect of foreign exchange amounted to 46¢ a share in 1971 compared with 24¢ a share in 1970.

Dominion Glass reported a loss for 1971 of 68¢ a share compared with a profit last year of $1.20 a share. The March 1972 dividend on the common stock has been omitted. The loss at Dominion Glass resulted primarily from the long shut down due to strikes at four eastern glass container plants, plus general economic conditions, and in addition increased interest costs from $156,936 to $2,463,276 as a result of the $25 million debenture issue in December 1970. Working capital has decreased from $17.2 million to $10.3 million.

Another trouble spot was **Gesca Ltée** in which Power Corp. holds $23.2 million in income debentures. These debentures are secured by the assets of La Presse newspaper which was involved in a bitter labour dispute and a long-lasting strike. The strike has now been settled.

TABLE I

POWER CORP. OF CANADA, LIMITED – Estimated Earnings 1972

(Reference – Consolidated Investment Portfolio – page 1)

COMPANY Subsidiaries	Est. 1972 Earnings/Share	Est. 1972 Earnings Contribution ($ 000)
Campeau Corp.*		$ 2,381
Canada Steamship Lines Ltd.	3.90	11,700
Dominion Glass Ltd.	0.80	1,087
Laurentide Financial Corp. Ltd.	1.45	3,088
Liverpool Plains Pastoral Co. Pty. Ltd.	0.05	25
	debt	75
Imperial Life Assurance Co. of Canada		1,000
The Investors Group	0.80	2,745
Portfolio		
Argus Corporation Ltd.		
dividend	0.30	53
Consolidated Bathurst	–	–
Gesca Ltée	income debs.	1,500
Télémedia (Québec) Ltée	debt.	435
Total consolidated earnings and income		$ 24,089
Less:		
Management & General Expenses		1,000
Debenture and other interest		7,500
		8,500
Net earnings		15,589
Less: Preferred Dividends		4,400
		11,189
Plus: Estimated tax savings		3,000
		14,189

o/s – 1,214,100 shares, non-cum. participating preferred par value $5.00: Convertible into common shares on a share-for-share basis up to May 31, 1978.

10,176,053 common shares

** Assumes $28 million proceeds from the sale of Campeau Corporation will be invested at approximately 7% or that existing bank debt will be reduced by this amount. Interest at 6-5/8% on $6,359,358 Campeau convertible promissory note factored into total.*

EVALUATION & LONGER-TERM OUTLOOK

In the past the financial transactions of Power Corp. management have complicated an already complex organization. However, it would appear that management is now focussing its expertise towards the creation of a more simplified company whose major area of endeavour would be in the transportation and financial services segments of the economy. Certainly, Power's direct majority interest in The Investors Group, Imperial Life and Laurentide Financial could be easily integrated into a cohesive entity. Further conjecture could allow for absorbtion on the part of Power of its indirect interest in both Great West Life and possibly Montreal Trust. As an example, a large number of operating economies would be derived from a potential Imperial Life/Great West Life merger. Management's recent decision to forego direct participation in the real estate field should not be interpreted as reflecting management's long term assessment of the potentialities of this area. The recent divestiture of its Campeau holdings was effected because the longer term financing requirements of this subsidiary would have precluded a re-structuring of Power's present financial and operating structure.

Although a turnabout at Consolidated Bathurst does not appear imminent the possibility of an up-trend in profitability on the part of this subsidiary is becoming more pronounced in view of the strengthening economic picture. The fundamental question in evaluating the shares of Power Corp. is whether the investment community will place a multiple on the stock which will reflect the unique characteristics of this company. In the past, the shares have tended to sell at a discount from breakup value rather than on a capitalization of earnings and it is our opinion that a multiple revision for the stock will be gradual and evolutionary in nature. Undoubtedly the investment community will have to be convinced that the company is viable and earnings progression is clearly visible.

Should Power Corp. demonstrate a sustained earnings progression, it is our belief that a multiple of 10 times this year's estimated earnings and 12 times next year's estimated earnings would be indicated. Based on this assumption, a price objective 25% above the current level might be indicated over the next year with the possibility of a doubling in the price of the stock over the next two years.

Morton A. Cohen
April 13, 1972
72-12

TABLE II

CONSOLIDATED CAPITALIZATION

as at December 31, 1970

5½% debentures due 1/3/77	**Issued $ 5,000,000 o/s**	**$ 4,489,000**
First Preference Shares $ 50 par value		
4¾% 1965 Series cum. red.	Auth: 2,000,000	
	Issued: 600,000, o/s	566,710 shares
Second Preference Shares $12 par value 5% Series A		
Cum.convertible	Auth: 10,000,000	
	Issued: 4,136,810, o/s	4,136,780 shares
6% Participating Preferred $5 par value		
	Auth: 1,592,760	
	Issued: 1,214,100, o/s	1,214,000 shares
Common stock	Auth: 30,000,000	
	Issued 10,176,053, o/s	10,176,053 shares
Subsidiaries		
Long term debt		$ 20,910,000
Minority Interest		3,500,000

ADD MARKET PERSPECTIVE
durnford april 26

POWER CORP.

The fundamental question in evaluating the shares of Power Corp. of Canada Ltd., Montreal, in the opinion of Nippen and Co. Inc. of Montreal is whether the investment community will place a multiple on the shares which will reflect the unique characteristics of this company.

In the past the shares have tended to sell at a discount from breakup value rather than on a capitalization of earnings. However, as recognition of management's new operating philosophy becomes more prevalent the price of the shares should tend to reflect earnings with the result that a substantial multiple revision may be anticipated.

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ADD MARKET PERSPECTIVE
durnford april 26

POWER CORP. A copy

Management appears to be focussing its expertise towards the creation of a more simplified company, with the major area of endeavor focussed upon the transportation and financial service segments of the economy.

Should Power Corp. demonstrate a sustained profit uptrend Kippen believes a price-to earnings multiple of 10 times its 1972 estimated profit of $1.25 a share and 12 times 1973 estimates of between $1.50 and $170 a share is feasible.

Factoring in the recent sale of Campeau, we would assume that the proceeds of $28 million will be used to reduce the current bank debt with the remainder of the $60 million C.S.L. loan moving below the line to some form of long term bank debt. Working capital would then approximate $30 million and with a write-down of assets reflecting the Campeau transaction, fixed debt would approximate 30% of shareholders' equity. With consolidation of C.S.L., Power Corp.'s net cash flow should be over $5 million which might allow for a review of its present dividend policy on the common of 20¢ a share. The omission of dividends by Consolidated Bathurst forced Power Corp. to pass dividends on its common and participating preferred shares between September 30, 1970 and August 25, 1971 on the common, and October 15, 1970 and August 25, 1971 on the participating preferred. In August 1971 Power declared a dividend of 5¢ on the common and 30¢ on the 6% 2nd. participating preferred.

EARNINGS OUTLOOK

It would appear that earnings for 1971 for Power Corp. will be in the range of an estimated 50–55¢ a share. Dominion Glass' reported loss was greater than anticipated and the problems at "Connie" were not alleviated in terms of last year's earnings performance. Nevertheless, the outlook for 1972 is optimistic. As indicated in Table I, Dominion Glass, Canada Steamship Lines, Imperial Life and the income from Gesca Ltée and Campeau Corporation are the major swing areas. Barring strikes, Dominion Glass should show improvement although an early resumption of dividends is questionable. Similarly, the strike at La Presse has been settled and although this is a situation which must be re-assessed, our projections have been based on a rate of return which is in line with prevailing interest rates. The sale of Campeau Corporation benefits the income statement in the amount of approximately $800,000 pre-tax. Consolidation of Imperial Life's earnings would add approximately $ 750,000 to the subsidiaries' earnings contribution.

In 1972 we estimate that C.S.L. should earn in the area of $ 3.90 a share. Thus Power should accrue about $ 11.5 million in operating earnings before application of expenses which results in a substantial tax saving of over $ 3 million or approximately 30¢ a share. It should be noted that full use of all expenses would result in a tax saving of a much larger amount. In our projections we have estimated earnings of $ 1.45 for Laurentide Financial Corporation with The Investors Group recording a net income of 80¢ a share. Income derived from Argus Corporation Limited has been halved with the Argus dividend cut from 60¢ to 30¢ a share in March 1972. Income from Télémedia (Québec) Ltée. has remained unchanged from the 1971 figure. The situation at Consolidated Bathurst is the big question mark and our estimates do not provide for any contribution from this source. There would not seem to be any real chance of significant improvement over the short term. The continued strength of the Canadian dollar vis-à-vis the American dollar will continue to adversely affect Canadian export industries. The increase in the price of newsprint, if it is maintained, will be of some help, but 1972 earnings of Consolidated Bathurst are not expected to show much real gain. In 1973, our preliminary projections would indicate earnings falling into the range of $ 1.50 – 1.70 a share based on a further improvement in the outlook for C.S.L. and Dominion Glass, coupled with a minor contribution from Consolidated Bathurst.

Canada Steamship Lines - which is wholly owned by Power Corp., accounts for approximately 50% of total company revenues. Consolidation of C.S.L. provides Power with a strong financial base, an excellent cash flow and a substantial tax saving. Net income from operations for C.S.L. during 1971 increased 24% to $10.9 million or $3.39 a share vs $8.7 million or $2.73 a share in 1970.

The outlook for shipping on the Great Lakes is strong. Industry capacity is being fully utilized and prices are firm. In addition the company has over $150 million in shipbuilding contracts which will keep the yards fully employed over the next three years. The trucking division had lower profit margins last year despite higher sales but margins are expected to return to normal during 1972. Consequently in 1972 we estimate earnings per share of $3.90 and cash flow close to $9.00.

Power Corp. on March 21, accepted an offer by **Campeau Corporation** to purchase Power's holdings of Campeau common - 6,287,180 (48%) - at a price of $4.50 a share for a total of $28,292,310. Although Power will retain a small commitment in Campeau through its ownership of a $6.3 million convertible promissory note, this transaction marks the end of the company's direct interest in the real estate field.

Power Corp.'s other areas of operation - Laurentide Financial, Imperial Life, The Investors Group - should report improved earnings in 1971. Earnings of **Laurentide** in particular are benefiting from a rationalization of operations and a concentration of expertise in the consumer loan field. The company reported earnings of 75¢ a share in 1970, $1.24 last year and will earn an estimated $1.45 in 1972. The company resumed dividend payments in March 1971 with 5¢ paid quarterly, and in December 1971 paid an extra of 10¢ : the dividend rate is now 10¢ quarterly.

Imperial Life increased its dividend rate from $4.80 to $5.20 in September 1971 reflecting the company's improved operating performance. In the past, Imperial Life's contribution to Power Corp. has been expressed in dividend income only, but in view of the parent's operating philosophy, a consolidation of accounts would seem to be indicated.

The Investors Group (owns 50.1% of Great West Life Assurance Company and 24% of Montreal Trust Company; holds a 49.7% interest in R.C. Baxter Properties Limited, Winnipeg, – a real estate and development company involved in developments in Manitoba, Alberta and British Columbia). The Group pays an annual dividend of 40¢ a share.

Liverpool Plains Pastoral Co. Pty. Limited is a 19,000 acre sheep ranch which Power Corp. owns in Australia. This venture does not contribute significantly to revenues.

In addition, Power Corp. receives dividends from its 10.4% holdings in Argus Corporation.

FINANCIAL

As of December 31, 1970, Power Corp.'s bank loans totalled about $18 million before the acquisition of the remaining shares of C.S.L. which is financed through a bank loan of $60 million. On consolidation it would appear that a pro forma balance sheet based on the 1970 figures for each company would indicate the following:

($ millions)

Assets			Liabilities & Shareholders' Equity		
Cash	$27		Bank	$ 78	
Current assets	45	$ 72	Other liabilities	25	
Deduct progress payments		20	Total current liabilities		$ 103
			Long term debt		38
Total Current Assets		$ 52	Deferred taxes		30
Investments		288	Reserves		2
Net fixed assets		108	Minority Interest		3
			Capital stock		
			Preferred		96
			Common		176
		$448			$ 448

AR37

Fee

POWER CORPORATION OF CANADA, LIMITED

Report of the May 17, 1973 Meeting of the Shareholders

The Annual General Meeting of Shareholders, as convened by the Notice dated April 16, 1973, was held in Montreal on May 17, 1973.

Personally present were 46 shareholders who owned or represented by proxy 78% of the voting rights carried by all the outstanding voting shares of the Company.

The President, Mr. Jean Parisien, C.A., made the following statement to the meeting:

As a means of introduction to the period under review, I would draw your attention to the Power Corporation of Canada, Limited annual report, the format of which differs considerably from its predecessors. Early in 1972, we acquired the balance of the outstanding common shares of Canada Steamship Lines, Limited. As a result, for the first time, its assets and liabilities have been consolidated in our financial statements. As well, the narrative of the annual report has been expanded substantially in its coverage of the activities, both of the latter company and of our other subsidiaries and affiliated companies; all of this to provide you with further insight into the scope of our operations and the diversity of our sources of income.

This report also helps to highlight the fact that we have become a fully operating company with a variety of interests that provide us with the opportunity of participating in a broad segment of the Canadian economy.

Gross revenue for the year reached $170,002,000 compared with $143,181,000 for 1971.

Total cash generated from operations amounted to $19,159,000 in 1972 and working capital increased by over $9,000,000 to $16,617,000. Additions to fixed assets totalled over $25,000,000 and long-term debt was reduced by $10,000,000 during the course of the year.

Consolidated earnings for 1972 amounted to $17,545,000 compared with $9,839,000 for 1971. After providing for dividends on non-participating preferred shares net earnings available for 6% participating preferred and common shares were the highest ever recorded in the company's history at $13,718,000 or $1.20 per share, more than double the $6,011,000 or 53¢ per share reported in 1971.

This substantial increase was achieved despite the fact that our accounts reflect a charge to earnings of $7,100,000 in relation to the 80,000 ton tankers being built at the Lauzon shipyard where serious construction difficulties were encountered. Of this amount, $5,700,000 represents the estimated future excess cost to completion. The first of the three tankers was delivered in the latter part of last month and the two others are scheduled for delivery in the fall of 1973 and the spring of 1974. Earnings were also adversely affected by strikes in the package freight division and in the Quebec operation of the Voyageur bus system, both divisions of Canada Steamship Lines. As a whole however, the operations of Canada Steamship Lines turned in very satisfactory results and, with the exception of Imperial Life, earnings reported by our other subsidiaries and affiliates showed substantial improvement over the previous year.

We are presently faced with labour stoppages at both the Lauzon and Collingwood shipyards. We are hopeful that a satisfactory settlement will be achieved shortly. However it must be recognized that the delays occasioned by these labour difficulties may have serious implications in obtaining future orders.

During the year your company completed the surrender for cancellation of our holdings of common and preference shares of Campeau Corporation against payment of $28,500,000. On May 1st, 1973, we sold our remaining interest in this company represented by a convertible promissory note to the Caisse de dépôt et placement du Québec who negotiated with Campeau certain modifications to its terms of conversion. Our sale price was a sum slightly in excess of $12,000,000 and we realized a gain on the transaction of $5,700,000.

On April 12th last, the company sold to Consolidated-Bathurst Limited its entire holding of common shares of Dominion Glass Company Limited for a maximum price of $21,749,000 or $16.00 per share of which $17,671,000 or $13.00 per share was received in cash. The balance will be determined in accordance with a formula related to the earnings of Dominion Glass over a future period not to exceed four years from the date of the transaction.

This sale represents a further step in the rationalization of our interests in that it unites the efforts of two major packaging operations.

Early in 1973, your company acquired from an institutional investor an additional 275,000 common shares of Consolidated-Bathurst in exchange for the 269,800 preferred shares of that company which we previously held and the payment of $659,200 in cash. This transaction increases our equity position to 40.1% of its outstanding common shares.

I do not propose to discuss the results of each company in the group separately. However, you may recall that last year I pointed out the difficulties which Consolidated-Bathurst had undergone. It therefore seems appropriate that I should draw your attention to the fact that that company has reported earnings of 56¢ per share for 1972 compared with a loss on its operations of 45¢ in 1971. This dramatic improvement reflects in no small measure the efforts that have been made by the management of this company to reduce operating, administration and selling costs and eliminate or rationalize unprofitable operations.

Although considerable improvement is still required to achieve a reasonable rate of return, we feel confident that Consolidated-Bathurst will continue to report increased earnings for the remainder of the current year.

Consolidated-Bathurst has announced earnings of 30¢ for the first quarter of 1973. Although we do not consolidate our share of their earnings, these would add 6.5¢ to our first quarter results.

Recently, your company both through private transactions and purchases on the open market increased its holdings in Investors Group to the point where we now own 34% of the equity and 56% of the voting rights.

During the year Canada Steamship Lines entered into an agreement subject to receiving the necessary approvals from the United States Interstate Commerce Commission to acquire all the shares of Strickland Transportation Company, a large trucking operation based in Dallas, Texas and serving major centres in the Northeast, Midwest and Southwest industrial areas of the United States. Term financing of $10,000,000 of the purchase price of U.S. $14,000,000 has been arranged and a forward exchange contract has been purchased to cover this U.S. dollar obligation.

As part of the continuing evolution of Power Corporation, we have elected to the Board of Directors of Canada Steamship Lines all the directors of your company who were available to serve and we are implementing a policy of integrating the functions of the senior management of both companies to the fullest extent possible. Consequently at the Canada Steamship Lines Board of Directors meeting following its annual meeting, Mr. Paul Desmarais became Chairman and Chief Executive Officer, I was appointed Senior Deputy Chairman, Mr. J. W. McGiffin and P. N. Thomson were elected Deputy Chairmen and Mr. Louis R. Desmarais was re-appointed President. Mr. Frank Knowles assumed the Chief Financial Officer's function and Mr. W. Lannaman became Secretary. It is intended that these gentlemen will assume like offices in Power Corporation.

At the end of last month, Mr. Paul B. Paine resigned his position with our company to become President and Chief Executive Officer of Montreal Trust Company in which Investors Group now holds a 51% interest.

I would like on behalf of the Board and Management of the company to express to him our most sincere appreciation for the significant contribution he has made to Power Corporation and wish him every success in his new position.

I am pleased to report that our earnings for the first quarter of this year amount to 22¢ per share compared with 18¢ in 1972 and a loss of 1.8¢ in 1971. On a fully diluted basis consolidated earnings for the first quarter of 1973 are 20¢ per share compared with 17¢ for the corresponding quarter of 1972.

After reviewing the audited financial statements and directors' report for 1972, which had previously been circulated to all Shareholders, the Meeting elected the following shareholders as directors of the Company: Messrs. W. Bhérer, A. F. Campo, Peter D. Curry, Louis R. Desmarais, Paul Desmarais, Jean-Paul Gignac, J. W. McGiffin, W. E. McLaughlin, A. D. Nesbitt, Paul B. Paine, Jean Parisien, Hon. Jean-Luc Pépin, Claude Pratte, Hon. John P. Robarts, Robert C. Scrivener, J. M. Seabrook, Peter N. Thomson, and W. I. M. Turner, Jr.

Touche Ross & Co. were re-appointed Auditors of the Company.

The Annual Meeting was preceded by a Special General Meeting which sanctioned By-laws 1, 2, 3, and 4, which had previously been circulated to all shareholders.

At a subsequent Directors' Meeting the following officers of the Company were appointed:

Paul Desmarais	Chairman and Chief Executive Officer
Jean Parisien	Senior Deputy Chairman
J. W. McGiffin	Deputy Chairman
P. N. Thomson	Deputy Chairman
Louis R. Desmarais	President
W. G. E. Lannaman	Vice-President and Secretary
A. F. Knowles	Vice-President Finance and Treasurer
P. E. Martin	Vice-President Planning and Development
J. D. Harper	Comptroller

Statement of Consolidated Earnings for the three months ended March 31, 1973 and 1972

(Unaudited)

	1973	1972
Gross Operating Revenue	$21,065,000	$19,153,000
Consolidated earnings	$ 3,458,000	$ 2,999,000
Dividends on non-participating preferred shares	949,000	957,000
Consolidated net earnings attributable to common and participating preferred shares	$ 2,509,000	$ 2,042,000
Earnings per common and participating preferred share — Primary	22 cents	18 cents
— Diluted	20 cents	17 cents

Au cours de l'année, Canada Steamship Lines, Limited a conclu une entente, sujette à la ratification de l'Interstate Commerce Commission des États-Unis, afin d'acquérir toutes les actions en circulation de Strickland Transportation Company, une importante entreprise de camionnage de Dallas, au Texas et qui dessert les principaux centres industriels du nord-est, du centre-ouest et du sud-ouest des États-Unis. Le prix de la transaction est de $14,000,000 É.-U. et des dispositions ont été prises en vue d'un emprunt à terme de $10,000,000; de plus, un contrat de change à terme a été acheté afin de protéger cette obligation en dollars américains.

Une étape additionnelle de l'évolution de Power Corporation a été franchie par l'élection au conseil d'administration de Canada Steamship Lines, Limited de tous les administrateurs disponibles de votre compagnie et par la mise en oeuvre d'une politique d'intégration des principaux cadres de gestion à tous les niveaux où cela est possible. Par conséquent, lors de l'assemblée du conseil d'administration de Canada Steamship Lines, Limited qui a suivi l'assemblée générale, M. Paul Desmarais a été élu président du conseil d'administration et chef de l'exécutif, je fus nommé premier président délégué du conseil et MM. J. W. McGiffin et P. N. Thomson ont été élus présidents délégués du conseil. M. Louis R. Desmarais a été réélu président de la compagnie. M. Frank Knowles s'est vu attribuer les fonctions de directeur financier et M. W. Lannaman devint secrétaire. Il est de notre intention d'affecter ces personnes à des postes identiques au sein de Power Corporation.

À la fin d'avril, M. Paul B. Paine démissionna de son poste d'officier de notre compagnie pour devenir président et directeur général de Montreal Trust Company dont Investors Group détient présentement une participation de 51%.

J'aimerais, au nom du conseil d'administration et de la direction de la compagnie, lui exprimer notre plus sincère reconnaissance pour sa précieuse contribution à la conduite des affaires de la compagnie et lui souhaiter tout le succès possible dans ses nouvelles fonctions.

Je suis heureux de vous annoncer que notre bénéfice pour le premier trimestre de cette année s'est élevé à 22¢ par action comparativement à 18¢ en 1972 et à une perte de 1.8¢ en 1971. Le bénéfice consolidé dilué du premier trimestre de 1973 s'élève à 20¢ par action comparativement à 17¢ pour le premier trimestre de 1972.

Après avoir examiné les états financiers vérifiés et le rapport des administrateurs pour l'année 1972 qui avaient été précédemment distribués à tous les actionnaires, ces derniers, en assemblée, ont élu les actionnaires suivants administrateurs de la compagnie: MM. W. Bhérer, A. F. Campo, Peter D. Curry, Louis R. Desmarais, Paul Desmarais, Jean-Paul Gignac, J. W. McGiffin, W. E. McLaughlin, A. D. Nesbitt, Paul B. Paine, Jean Parisien, Hon. Jean-Luc Pépin, Claude Pratte, Hon. John P. Robarts, Robert C. Scrivener, J. M. Seabrook, Peter N. Thomson, et W. I. M. Turner, Jr.

Touche Ross & Cie ont été nommés à nouveau vérificateurs de la compagnie.

La réunion annuelle a eu lieu immédiatement après la tenue d'une assemblée générale spéciale au cours de laquelle ont été sanctionnés les règlements 1, 2, 3 et 4, dont copies avaient été remises auparavant aux actionnaires.

À une réunion subséquente du Conseil d'administration les dirigeants suivants de la compagnie ont été nommés:

Paul Desmarais	Président du conseil d'administration et chef de l'exécutif
Jean Parisien	Premier président délégué du conseil
J. W. McGiffin	Président délégué du conseil
P. N. Thomson	Président délégué du conseil
Louis R. Desmarais	Président
W. G. E. Lannaman	Vice-Président et Secrétaire
A. F. Knowles	Vice-Président Finance et Trésorier
P. E. Martin	Vice-Président Planification et Développement
J. D. Harper	Contrôleur

État du Bénéfice Consolidé pour les trois mois terminés les 31 mars 1973 et 1972

(Non vérifié)

	1973	1972
Revenu brut d'exploitation	$21,065,000	$19,153,000
Bénéfice net consolidé	$ 3,458,000	$ 2,999,000
Dividendes sur les actions privilégiées non participantes	949,000	957,000
Bénéfice net consolidé attribuable aux actions ordinaires et aux actions privilégiées participantes	$ 2,509,000	$ 2,042,000
Bénéfice par action ordinaire et par action privilégiée participante		
— Primaire	22 cents	18 cents
— Dilué	20 cents	17 cents

POWER CORPORATION OF CANADA, LIMITED

Rapport de l'assemblée des actionnaires tenue le 17 mai 1973

L'assemblée annuelle des actionnaires, convoquée par un avis du 16 avril 1973, a eu lieu à Montréal, le 17 mai 1973.

Les 46 actionnaires présents représentaient, personnellement ou par procuration, 78% des 26,484,163 voix représentées par les actions comportant droit de vote.

Le président, M. Jean Parisien, c.a., s'est adressé à l'assemblée en ces termes:

Avant d'analyser les opérations de l'année 1972, j'aimerais attirer votre attention sur le rapport annuel de Power Corporation of Canada, Limited dont le format diffère considérablement de celui des rapports précédents. Au début de l'année 1972, nous avons acquis le reste des actions ordinaires de Canada Steamship Lines, Limited et de ce fait, nous avons consolidé, pour la première fois, les actifs et les passifs de cette corporation dans nos états financiers. De même, le texte du rapport annuel couvre de façon beaucoup plus détaillée les activités de Canada Steamship Lines, Limited et des autres filiales et compagnies affiliées afin de vous permettre d'apprécier davantage l'ampleur des activités et la diversité des sources de revenus de votre compagnie.

Ce rapport est particulièrement révélateur sur le fait que votre compagnie est devenue société opérante et, par ses nombreux investissements dans des secteurs variés, joue un rôle important au sein de l'économie canadienne.

Le revenu brut d'exploitation de cette année a atteint $170,002,000 comparativement à $143,181,000 pour 1971.

Les fonds autogénérés durant l'année ont été de $19,159,000, et le fonds de roulement a augmenté de plus de $9,000,000 pour atteindre $16,617,000 à la fin de 1972.

Les additions aux immobilisations se sont élevées à plus de $25,000,000 tandis que la dette à long terme a été réduite de $10,000,000 durant l'année.

Le bénéfice consolidé pour l'année 1972 s'est élevé à $17,545,000 comparativement à $9,839,000 pour l'exercice précédent. Après avoir pourvu aux dividendes sur les actions privilégiées non participantes, le bénéfice net disponible aux actions privilégiées participantes 6% et aux actions ordinaires s'est élevé à $13,718,000 ou $1.20 par action; ce montant représente le niveau le plus élevé enregistré dans l'histoire de la compagnie et plus que le double du chiffre de $6,011,000 ou 53¢ par action enregistré en 1971.

L'augmentation substantielle du bénéfice en 1972 fut obtenue malgré une charge de $7,100,000 en rapport à la construction de trois pétroliers de 80,000 tonnes aux chantiers maritimes de Lauzon où nous avons rencontré de sérieux problèmes. De ce montant, $5,700,000 représentent une provision pour les coûts additionnels nécessaires pour compléter ce contrat. Le premier de ces trois pétroliers a été livré à la fin d'avril et les deux autres devraient l'être à l'automne 1973 et au printemps 1974. Le bénéfice a aussi été affecté par des grèves dans la division de manutention de marchandises emballées et dans le réseau d'autobus Voyageur au Québec, deux divisions de Canada Steamship Lines, Limited. Dans l'ensemble cependant, les activités de Canada Steamship Lines, Limited ont donné des résultats satisfaisants et le bénéfice des autres filiales et compagnies affiliées, à l'exception d'Imperial Life, a connu une augmentation substantielle sur celui de l'exercice précédent.

Nous faisons face présentement à des arrêts de travail aux chantiers maritimes de Lauzon et de Collingwood. Nous sommes confiants qu'un accord satisfaisant sera réalisé d'ici peu. Nous devons cependant reconnaître que les délais occasionnés par ces problèmes ouvriers peuvent avoir des effets sérieux sur l'obtention de futurs contrats.

Au cours de l'année, votre compagnie a complété la vente des actions privilégiées et ordinaires de Campeau Corporation pour un montant de $28,500,000. En date du 1er mai de cette année, nous avons vendu le reste de notre placement dans cette compagnie, lequel était sous la forme d'un billet convertible, à la Caisse de dépôt et placement du Québec qui a négocié certains changements concernant les termes de conversion du billet. La vente de ce billet nous a rapporté une somme d'un peu plus de $12,000,000 et nous a permis de réaliser un gain de $5,700,000.

En date du 12 avril 1973, la compagnie a vendu à Consolidated-Bathurst toutes les actions ordinaires de Dominion Glass Company Limited pour un montant maximum de $21,749,000 ou $16.00 par action dont $17,671,000 ou $13.00 par action ont été payés comptant. Le solde sera déterminé selon une formule tenant compte du bénéfice de Dominion Glass pour une période maximum de quatre ans, à partir de la date de la transaction.

Cette vente représente une étape additionnelle dans la rationalisation de nos investissements en ce qu'elle réunit les activités de deux entreprises importantes de l'industrie de l'emballage.

Au début de l'année 1973, votre compagnie a acquis, d'un investisseur institutionnel, 275,000 actions ordinaires de Consolidated-Bathurst en échange de 269,800 actions privilégiées détenues dans cette compagnie et d'un montant de $659,200. Cette transaction augmente notre participation dans Consolidated-Bathurst à 40.1% des actions ordinaires en circulation.

Ce n'est pas mon intention d'analyser les résultats individuels de chaque compagnie du groupe. Cependant, vous vous rappelez qu'à la même occasion l'année dernière, j'avais souligné les difficultés que Consolidated-Bathurst avait connues. Il semble donc approprié que j'attire votre attention sur le fait que cette compagnie a réalisé un bénéfice de 56¢ par action en 1972 comparativement à une perte d'opération de 45¢ en 1971. Cette amélioration remarquable reflète de façon non équivoque les efforts de la direction de cette compagnie pour réduire les frais d'opération, d'administration et de vente et pour éliminer ou rationaliser les opérations non rentables.

Bien que nous soyons encore loin d'un rendement intéressant sur notre investissement, nous sommes confiants que Consolidated-Bathurst connaîtra des bénéfices accrus pour le reste de l'année courante.

Consolidated-Bathurst a enregistré un bénéfice de 30¢ par action au cours du premier trimestre de l'année 1973. Quoique nous ne consolidions pas notre part du bénéfice de cette compagnie, cette part représenterait un bénéfice additionnel de 6.5¢ par action au niveau de votre compagnie.

Récemment, votre compagnie, par des transactions privées, ainsi que par des achats sur le marché, a augmenté sa participation dans Investors Group et détient maintenant 34% des actions et 56% des droits de vote.

POWER CORPORATION OF CANADA, LIMITED

Interim Report
June 30th, 1973

Rapport intérimaire
au 30 juin 1973

POWER CORPORATION OF CANADA, LIMITED

Interim Report
June 30th, 1973

Rapport intérimaire
au 30 juin 1973

STATEMENT OF CONSOLIDATED NET EARNINGS (UNAUDITED)

		THOUSANDS FOR THE SIX MONTHS ENDED JUNE 30		
		1973		1972* (restated)
Gross revenue from operations		$87,135		$67,099
Earnings from operations		10,090		11,998
Income from investments		1,755		1,558
Share of earnings of unconsolidated subsidiaries and affiliated companies		7,097		4,886
		18,942		18,442
Interest on long-term debt	2,990		3,355	
Provision for depreciation	5,325	8,315	5,375	8,730
		10,627		9,712
Provision for income tax		796		880
		9,831		8,832
Preferred dividends of consolidated subsidiaries		227		227
Consolidated earnings		9,604		8,605
Non-participating preferred dividends		1,894		1,914
Consolidated net earnings available for 6% participating preferred and common shareholders		$ 7,710		$ 6,691
Earnings per 6% participating preferred and common share				
Primary		$0.66		$0.59
Diluted		$0.56		$0.50

*Restated to reflect consolidation of Consolidated-Bathurst Limited on equity accounting basis.

STATEMENT OF CONSOLIDATED SOURCE AND USE OF FUNDS (UNAUDITED)

	1973	1972
Source of Funds:		
From Operations		
Consolidated net earnings	$ 7,710	$ 6,691
Depreciation	5,325	5,375
Deferred income taxes	348	(268)
Earnings not received in cash	(5,107)	(3,624)
	8,276	8,174
Proceeds from disposal of fixed assets	2,885	765
Proceeds from disposal of investments	34,169	30,494
Proceeds from issue of common shares	33	46
Payment on account of stock purchase plan	24	70
Proceeds from issue of 6% preferred shares	2,198	–
	47,585	39,549
Use of Funds:		
Additions to fixed assets	6,062	15,484
Decrease in long-term debt	2,040	9,495
Dividends–common	1,021	1,019
–participating preferred	195	182
Cost of investments purchased	17,655	–
Cost of 4¾% preferred shares acquired for cancellation	530	–
Miscellaneous debits–net	126	198
	27,629	26,378
Increase in Working Capital	$19,956	$13,171

ÉTAT DU BÉNÉFICE NET CONSOLIDÉ (NON VÉRIFIÉ)

	EN MILLIERS POUR LE SEMESTRE TERMINÉ LE 30 JUIN	1973		1972* (redressés)
Revenu brut d'exploitation		$87,135		$67,099
Bénéfice d'exploitation		10,090		11,998
Revenus de placements		1,755		1,558
Part du bénéfice des filiales non consolidées et des compagnies affiliées		7,097		4,886
		18,942		18,442
Intérêts sur la dette à long terme	2,990		3,355	
Provision pour amortissement	5,325	8,315	5,375	8,730
		10,627		9,712
Provision pour impôts sur le revenu		796		880
		9,831		8,832
Dividendes sur les actions privilégiées des filiales consolidées		227		227
Bénéfice consolidé		9,604		8,605
Dividendes sur les actions privilégiées non participantes		1,894		1,914
Bénéfice net consolidé disponible pour les actions privilégiées participantes, 6%, et les actions ordinaires		$ 7,710		$ 6,691
Bénéfice par action privilégiée participante, 6%, et par action ordinaire				
Primaire		$0.66		$0.59
Dilué		$0.56		$0.50

*Redressés afin de tenir compte de Consolidated-Bathurst Limitée sur la base de la comptabilisation à la valeur de consolidation.

ÉTAT DE LA PROVENANCE ET DE L'UTILISATION CONSOLIDÉES DES FONDS (NON VÉRIFIÉ)

	1973	1972
Provenance des fonds:		
Exploitation		
Bénéfice net consolidé	$ 7,710	$ 6,691
Amortissement	5,325	5,375
Impôts sur le revenu reportés	348	(268)
Bénéfice non retiré en espèces	(5,107)	(3,624)
	8,276	8,174
Produit de la vente d'immobilisations	2,885	765
Produit de la vente de titres	34,169	30,494
Produit de l'émission d'actions ordinaires	33	46
Paiement au titre du plan d'achat d'actions	24	70
Produit de l'émission d'actions privilégiées, 6%	2,198	–
	47,585	39,549
Utilisation des fonds:		
Additions aux immobilisations	6,062	15,484
Réduction de la dette à long terme	2,040	9,495
Dividendes–actions ordinaires	1,021	1,019
–actions privilégiées participantes	195	182
Coût des titres achetés	17,655	–
Coût des actions privilégiées, 4¾%, acquises pour annulation	530	–
Autres débits (net)	126	198
	27,629	26,378
Augmentation du fonds de roulement	$19,956	$13,171

POWER CORPORATION OF CANADA, LIMITED

To the Shareholders:

The consolidated earnings for the six months ended 30th June 1973 amounted to $9,604,000, compared with $8,605,000 in the six months ended 30th June 1972. These consolidated earnings, after providing for dividends on non-participating preferred shares, are equivalent to 66 cents as against 59 cents per participating preferred and common share for the prior year. After allowing for the conversion of the 5% convertible preferred shares and exercise of outstanding options, the diluted earnings per participating preferred and common share are 56 cents and 50 cents respectively.

During the latest quarter, we increased our holding of common shares of Consolidated-Bathurst to approximately 40 per cent of the total outstanding. In consequence and in accordance with the recommendations of the Canadian Institute of Chartered Accountants, we have consolidated in the above figures the earnings of Consolidated-Bathurst on an equity basis for the period ended 30th June 1973. The 1972 results have been restated to reflect this change.

Gross revenue from operations was $87,135,000 compared with $67,099,000 in 1972. The earnings from operations of Power Corporation and its wholly-owned subsidiary, Canada Steamship Lines, Limited, are $10,090,000, compared with $11,998,000 for the six months ended 30th June 1972. The losses resulting from labour disruptions and eventual strikes were partially offset by increased profitability in the Land and Water Transportation Divisions.

The share of earnings of unconsolidated subsidiaries and our affiliated companies is $7,097,000, an increase of $2,211,000 or 45.3 per cent over the first six months of last year. A substantial portion of this increase has resulted from the improved earnings of Consolidated-Bathurst, which has reported earnings of 80 cents per share, compared with 12 cents in the prior comparable period.

The Statement of Consolidated Source and Use of Funds shows an increase in working capital of $19,956,000. Of this increase, $16,500,000 substantially represents the net excess of the proceeds from the disposal of our interest in Dominion Glass and Campeau Corporation less the funds invested in additional shares of The Investors Group.

We anticipate that the operating results for the second half of the year will be satisfactory.

The Board of Directors today declared regular quarterly dividends on the first and second cumulative preferred shares, as well as 7½ cents on the 6% participating preferred shares and 5 cents on the common shares, all in respect of the quarter ending 30th September 1973.

On behalf of the Board

Paul Desmarais
Chairman and Chief Executive Officer

Montreal,
August 10, 1973.

Aux Actionnaires:

Le bénéfice consolidé pour le semestre terminé le 30 juin 1973 s'est élevé à $9,604,000, comparativement à $8,605,000 pour le semestre terminé le 30 juin 1972. Après avoir pourvu aux dividendes sur les actions privilégiées non participantes, le bénéfice net s'établit à 66 cents par action privilégiée participante et par action ordinaire, en comparaison de 59 cents pour le premier semestre de 1972. Si l'on tient compte de la conversion des actions privilégiées convertibles, 5%, et de l'exercice de toutes les options en cours, le bénéfice dilué par action privilégiée participante et par action ordinaire s'élève à 56 cents et 50 cents respectivement.

Au cours du dernier trimestre, nous avons augmenté notre participation dans Consolidated-Bathurst à environ 40 pour cent des actions ordinaires en circulation. De ce fait et conformément aux recommandations de l'Institut Canadien des Comptables Agréés, nous avons inclus le bénéfice de Consolidated-Bathurst, sur la base de la comptabilisation à la valeur de consolidation, dans les résultats du semestre terminé le 30 juin 1973. Les résultats de 1972 ont été redressés de façon à tenir compte de ce changement.

Le revenu brut d'exploitation a été de $87,135,000, comparativement à $67,099,000 en 1972. Le bénéfice d'exploitation de Power Corporation et de sa filiale en propriété exclusive, Canada Steamship Lines, Limited, fut de $10,090,000, comparativement à $11,998,000 pour le semestre terminé le 30 juin 1972. Les pertes causées par des conflits ouvriers et des grèves furent compensées par une meilleure rentabilité des divisions du transport routier et maritime.

La part du bénéfice des filiales non consolidées et des compagnies affiliées a été de $7,097,000, une augmentation de $2,211,000 ou 45.3 pour cent comparativement au premier semestre de l'année dernière. Une partie importante de cette augmentation résulte de l'amélioration du bénéfice de Consolidated-Bathurst; cette compagnie a réalisé un bénéfice net de 80 cents par action comparativement à 12 cents pour le premier semestre de l'année dernière.

L'état de la provenance et de l'utilisation des fonds montre une augmentation du fonds de roulement de $19,956,000. De ce montant, $16,500,000 représentent principalement l'excédent du produit de la vente de notre placement dans Dominion Glass et Campeau Corporation sur le coût du placement additionnel effectué dans The Investors Group.

Nous sommes confiants que les résultats d'exploitation du deuxième semestre seront satisfaisants.

Le conseil d'administration a déclaré aujourd'hui le dividende trimestriel ordinaire sur les actions privilégiées de premier rang et de second rang, ainsi qu'un dividende de 7½ cents sur les actions privilégiées participantes, 6%, et de 5 cents sur les actions ordinaires, dividendes qui se rapportent au trimestre se terminant le 30 septembre 1973.

Pour le conseil d'administration

Paul Desmarais
président du conseil et directeur général

Montréal,
le 10 août 1973.